

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt as to the action you should take you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are resident in the United Kingdom or, if not, another appropriately authorised independent financial adviser in your own jurisdiction.

If you have sold or otherwise transferred, or sell or transfer before 5.00 p.m. on 17 August 2010, all of your Existing Ordinary Shares, please forward this document together with the Form of Proxy and Election Form which accompany it as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. However, such documents should not be distributed, forwarded or transmitted in or into any jurisdiction in which such an act would constitute a breach of the relevant laws of such jurisdiction.

Application will be made for the New Ordinary Shares to be issued pursuant to the Proposals to be admitted to trading on AIM. It is expected that dealings in the Existing Ordinary Shares will continue until 4.30 p.m. on 18 August 2010 and that Admission will become effective and dealings in the New Ordinary Shares will commence on AIM at 8.00 a.m. on 19 August 2010. No application will be made to any investment exchange or trading platform for listing or admission to trading of the B Shares or C Shares.

**Part 8 contains the definition of terms used in this document. All times are London times.**

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# Rugby Estates Plc

*(incorporated in England and Wales under number 2548935)*

## **Proposed return of cash to Shareholders of 175 pence per Existing Ordinary Share by way of either a Capital Repayment or a Special Dividend and Notice of General Meeting**

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This document should be read as a whole. Your attention is drawn to the letter from the Chairman of Rugby Estates Plc, which is set out on pages 4 to 9 of this document and which recommends that you vote in favour of the Resolutions to be proposed at the General Meeting, the notice for which is set out in Part 9 of this document.

**A summary of the action to be taken by Shareholders is set out on pages 7 to 8 of this document. If Shareholders have any queries in relation to the action to be taken they may call the Shareholder helpline on 0871 384 2050 (+44 121 415 0259 if calling from outside the United Kingdom) between 8.30 a.m. and 5.30 p.m. on any Business Day. Calls to these numbers are charged at 8 pence per minute from a BT landline. Other telephony costs may vary. Please note that the Shareholder helpline will not provide advice on the merits of the Alternatives or give any financial or tax advice.**

**You should note that the implementation of the Proposals is conditional upon (i) the approval by Shareholders of Resolution 1 to be proposed at the General Meeting and (ii) Admission.**

None of the B Shares, C Shares or New Ordinary Shares have been or will be registered under the US Securities Act or the state securities laws of the United States and none of them may be offered or sold in the United States unless pursuant to a transaction that has been registered under the US Securities Act and the relevant state securities laws or that is not subject to the registration requirements of the US Securities Act or such laws, either due to an exemption therefrom or otherwise.

None of the B Shares, C Shares, New Ordinary Shares or this document have been approved, disapproved or otherwise recommended by any US federal or state securities commission or other regulatory authority or any non-US securities commission or regulatory authority nor have such authorities confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

Fairfax I.S. PLC, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for Rugby Estates Plc and for no one else in connection with the matters referred to in this document and will not be responsible to anyone other than Rugby Estates Plc for providing the protections offered to clients of Fairfax I.S. PLC or for providing advice in relation to the matters referred to in this document.

## VOTING ON THE RESOLUTIONS AND MAKING AN ELECTION

Whether or not you plan to attend the General Meeting in person, please:

1. complete and sign the enclosed Form of Proxy in accordance with the instructions printed on it and return it so as to be received by Equiniti by no later than 10.00 a.m. on 28 July 2010; or
2. if you hold Existing Ordinary Shares in CREST and wish to appoint a proxy by completing and transmitting a CREST Proxy Instruction, ensure it is received by Equiniti by no later than 10.00 a.m. on 28 July 2010.

The completion and return of the Form of Proxy or completion and transmission of a CREST Proxy Instruction will not prevent you from attending the General Meeting and voting in person (in substitution for your proxy vote) if you so wish and are so entitled.

Under the Proposals, Shareholders will be able to choose between two Alternatives as to how they receive their proceeds from the Proposals. An Election Form for use by Shareholders (with the exception of Shareholders who hold their Existing Ordinary Shares in CREST) in connection with the Alternatives is enclosed with this document. Please complete and return the Election Form in the prepaid envelope provided so as to be received by Equiniti by no later than 11.00 a.m. on 17 August 2010. If Shareholders do not use the envelope provided, the Election Form should either be:

1. sent by post to Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA and postage will (where applicable) be payable; or
2. delivered by hand (during normal business hours) to Equiniti, Holm Oak, Holm Oak Business Park, Woods Way, Goring-by-Sea, Worthing, West Sussex BN12 4FE.

Full details on how to complete and return the Election Form are set out in Part 4 of this document. Replacement Election Forms may be obtained from Equiniti by calling the Shareholder helpline referred to below.

Shareholders who hold their Existing Ordinary Shares in CREST will not be sent the Election Form and may only elect in respect of the Alternatives through CREST by giving an appropriate TTE Instruction. Please refer to paragraph 2 of Part 4 of this document for further information.

A summary of the action to be taken by Shareholders is set out on pages 7 to 8 of this document.

If Shareholders have any queries in relation to the Form of Proxy, transmission of electronic proxies, CREST Proxy Instructions, the Election Form or TTE Instructions, they may call the Shareholder helpline on 0871 384 2050 (+44 121 415 0259 if calling from outside the United Kingdom) between 8.30 a.m. and 5.30 p.m. on any Business Day. Calls to these numbers are charged at 8 pence per minute from a BT landline. Other telephony costs may vary. **Please note that the Shareholder helpline will not provide advice on the merits of the Alternatives or give any financial or tax advice.**

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## Part 1: Letter from the Chairman of Rugby Estates Plc



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### *Directors*

David Tweeddale-Tye (*Executive Chairman*)

Andrew Wilson (*Chief Executive*)

Stephen Jones (*Finance Director*)

Andrew Tyrie (*Non-executive*)

John Jackson (*Non-executive*)

15 July 2010

Dear Shareholder

### **Proposed return of cash to Shareholders**

#### **1. Introduction**

During the financial year ended 31 January 2010, and following a strategic review of its business, the Company returned a total of approximately £14.7 million to Shareholders by way of B and C share schemes. The Group's strategy continues to be to concentrate on its asset management business and to realise its portfolio of directly-owned properties. Subject to retaining sufficient resources for the needs of the asset management business, the Company intends to return surplus funds to Shareholders as and when significant realisations are made. On 28 June 2010 and 1 July 2010, the Company announced further progress in the Group's property disposal programme with £15.8 million of properties sold since 31 January 2010. Accordingly, this document sets out the Company's intention to make a further return of cash of 175 pence per share to Shareholders pursuant to the Proposals.

The Proposals involve the issue to Shareholders of B Shares and/or C Shares which is intended to give Shareholders, where eligible under their prevailing tax regime (such as in the UK), the flexibility to receive a return of cash from the Company as capital or income for tax purposes, or a combination of the two. The Directors believe the Proposals represent the most efficient and effective way to return cash to Shareholders.

The Proposals require the approval of Shareholders, which will be sought at a General Meeting to be held at 4 Farm Street, Mayfair, London W1J 5RD at 10.00 a.m. on 30 July 2010. The notice of the General Meeting is set out in Part 9 of this document. The Reduction of Capital included in the Proposals is also subject to the confirmation of the Court.

It is intended that the market price of the Company's ordinary shares should remain approximately similar before and after the return of cash, subject to market movements, and consequently the Proposals (through the Share Capital Consolidation) will reduce the number of such ordinary shares in issue to reflect the return of cash to Shareholders. For every 15 Existing Ordinary Shares held at the Record Time, Shareholders will receive 7 New Ordinary Shares. The New Ordinary Shares will be traded on AIM in the same way as Existing Ordinary Shares and will be equivalent in all material respects to the Existing Ordinary Shares, including as to their dividend and voting rights.

The purpose of this document is to explain, and seek Shareholder approval of, the Proposals and to explain the choices available to Shareholders and how to decide between them.

In addition, we will be seeking your approval at the General Meeting of resolutions to renew the Company's authority to make market purchases of shares and to renew the Directors' authority to allot shares pursuant to section 551 of the Act and to disapply section 561 of the Act, in each case to take account of the Reduction of Capital and the Share Capital Consolidation.

Please read and rely on the whole of this document and not just the summarised information set out in this letter. Shareholders' attention is drawn to the further information set out in Parts 2 to 7 of this document, including an expected timetable of key events in Part 2 and some frequently asked questions with answers in Part 3 in respect of the Proposals.

## 2. Summary of the Proposals

The implementation of the Proposals involves a number of steps, which are all subject to approval of Shareholders at the General Meeting.

- Each Existing Ordinary Share in issue on the Share Split Record Date will be sub-divided into one ordinary share of 7 pence together with either (at the election of Shareholders) one B Share or one C Share. The B Shares will entitle their holders to receive the Capital Repayment of 175 pence per B Share and the C Shares will entitle their holders to receive the Special Dividend of 175 pence per C Share.
- Shareholders will receive C Shares unless they elect for B Shares.
- Following the Share Split, and subject to the confirmation of the Court, the Company will seek to reorganise its share capital to return 175 pence per B Share to the holders of such shares.
- The Company will then cancel the B Shares and the C Shares.
- The Proposals to implement the above involve the reduction of the Company's share capital in order to (i) create the additional distributable reserves (if any) required to fund the Special Dividend and (ii) create a reserve in order to fund the Capital Repayment. In addition, depending on the amount of distributable reserves required to pay the Special Dividend to Shareholders who elect (or are deemed to have elected) for the Dividend Alternative, a further reduction of the Company's share premium account is being proposed to create additional distributable reserves such that after completion of the Proposals, the Company will have distributable reserves of not less than £2 million. This further reduction of capital (if required) will reduce the probability of the Company showing a retained loss at the end of the current financial year.
- The Court will require to be satisfied that the interests of the Company's creditors will not be prejudiced as a result of the Reduction of Capital. The Company will put into place such form of creditor protection (if any) as the Court may require.
- Following the Reduction of Capital becoming effective, the ordinary share capital will be sub-divided and consolidated on the basis of 7 New Ordinary Shares for every 15 Existing Ordinary Shares held at the Record Time. The Share Capital Consolidation is intended to maintain comparability of the Company's future and historic share price.
- New Ordinary Shares will be traded on AIM in the same way as Existing Ordinary Shares and will be equivalent in all other respects to the Existing Ordinary Shares.
- In the event that the Court does not confirm the Reduction of Capital, or the Reduction of Capital is otherwise not implemented by the Long-Stop Date, the share capital of the Company will be reorganised so as to leave the Company's share capital in its current position and Shareholders holding their current numbers of Existing Ordinary Shares.

Further details of the steps required to implement the Proposals are set out in Part 5 of this document.

## 3. The return of cash

The Proposals will return 175 pence per Existing Ordinary Share to Shareholders. Under the Proposals, Shareholders will receive, in respect of their holding of Existing Ordinary Shares at the Record Time:

- **1 B Share or 1 C Share (as they may elect) for every 1 Existing Ordinary Share; and**
- **7 New Ordinary Shares for every 15 Existing Ordinary Shares.**

Shareholders will be able to elect between the following Alternatives as to how they receive their cash:

- the Capital Alternative in respect of the B Shares (cash expected to be sent by 2 September 2010); and/or
- the Dividend Alternative in respect of the C Shares (cash expected to be sent by 2 September 2010).

Shareholders may split the aggregate amount to be returned to them between the Alternatives. The Alternatives and the Share Capital Consolidation are described more fully below in paragraphs 4 and 5 of this Part 1.

#### **4. The Alternatives**

The Alternatives available to Shareholders are summarised below and explained in further detail in Part 5 of this document. Shareholders may split the aggregate amount to be returned to them between the Alternatives.

**Shareholders who do not make a valid election will be deemed to have elected for the Dividend Alternative in respect of ALL of their Share Entitlement.**

The general guidance on the UK tax treatment included below is only a summary, is based on current UK law and practice as at the date of this document and applies only to Shareholders who are resident and, if they are individuals, ordinarily resident in the UK for tax purposes and who hold their Existing Ordinary Shares, B Shares and/or C Shares beneficially as investments and not on trading account. UK tax resident Shareholders should read Part 7 of this document as the Alternatives will have different UK tax consequences.

**Shareholders who require further information or who are in any doubt as to their tax position, or are subject to tax in a jurisdiction other than the United Kingdom, should consult an appropriate professional adviser without delay.**

- ***Alternative 1 – Capital Alternative (B Shares)***

Shareholders who elect for the Capital Alternative in respect of some or all of their Share Entitlement will receive one B Share for each corresponding Existing Ordinary Share they hold at the Record Time.

It is expected that the B Shares will be cancelled pursuant to the Reduction of Capital by 19 August 2010 and that the Capital Repayment of 175 pence will be made in respect of each cancelled B Share. Proceeds will be sent to Shareholders by 2 September 2010.

The amounts received under the Capital Alternative should generally be taxed as capital for UK tax purposes. UK tax resident Shareholders should read Part 7 of this document for further information.

The attention of Non-United Kingdom Shareholders is drawn to paragraph 6 of Part 5 of this document.

- ***Alternative 2 – Dividend Alternative (C Shares)***

Shareholders who elect or are deemed to have elected for the Dividend Alternative in respect of some or all of their Share Entitlement will receive one C Share for each corresponding Existing Ordinary Share they hold at the Record Time. A Special Dividend of 175 pence will become payable on each such C Share by 19 August 2010 and we expect to send the Special Dividend to such Shareholders by 2 September 2010. C Shares will be cancelled following declaration of the Special Dividend pursuant to the Reduction of Capital.

The amounts received under the Dividend Alternative should generally be taxed as income for UK tax purposes. UK tax resident Shareholders should read Part 7 of this document for further information.

The attention of Non-United Kingdom Shareholders is drawn to paragraph 6 of Part 5 of this document.

**Details of how to complete and return an Election Form are set out in Part 4 of this document. Shareholders electing through CREST should refer to paragraph 2 of Part 4 of this document for further information.**

**Shareholders wishing to receive the Special Dividend in respect of all of their Share Entitlement need NOT complete or return the Election Form or make an election through CREST as C Shares will be issued and the Special Dividend paid automatically in respect of all of the Share Entitlement in relation to which a Shareholder has not elected for either of the Alternatives.**

## **5. The Share Capital Consolidation**

The return of cash proposed to be made pursuant to the Proposals represents approximately 52.6 per cent. of the Company's market capitalisation as at 14 July 2010, based on the Closing Price of 332.5 pence per Existing Ordinary Share on that date. The Share Capital Consolidation will reduce the number of the Company's ordinary shares in issue by approximately the same percentage as the return of cash bears to the market capitalisation of the Company.

For every 15 Existing Ordinary Shares held at the Record Time, Shareholders will receive 7 New Ordinary Shares. The intention is that, subject to market movements, the market price per New Ordinary Share immediately after Admission should be approximately similar to the market price per Existing Ordinary Share immediately prior to the Proposals whilst the market capitalisation will reflect the return of cash pursuant to the Proposals.

The New Ordinary Shares will be traded on the London Stock Exchange in the same way as the Existing Ordinary Shares and will be equivalent in all material respects to the Existing Ordinary Shares, including as to their dividend rights. Application will be made for the New Ordinary Shares to be admitted to trading on AIM and Admission is expected to take effect at 8.00 a.m. on 19 August 2010. It is expected that share certificates representing the New Ordinary Shares will be sent to Shareholders who hold their Existing Ordinary Shares in certificated form by 2 September 2010. The CREST accounts of Shareholders who hold their Existing Ordinary Shares in CREST are expected to be credited with New Ordinary Shares at approximately 8.00 a.m. on 19 August 2010.

Further information on the Share Capital Consolidation, and any fractional entitlements to New Ordinary Shares that may result, is set out in paragraph 3 of Part 5 of this document.

## **6. All Employee Share Ownership Plan**

The trustees of the All Employee Share Ownership Plan will send letters to participants in that plan asking them how they wish the trustees to act in relation to Existing Ordinary Shares held on their behalf under the plan in respect of the Proposals.

## **7. Proposed amendments to the Articles of Association**

A number of amendments to the Articles of Association are required to implement the Proposals and require approval at the General Meeting. The proposed amendments relate to the rights and restrictions attaching to the B Shares and C Shares and certain consequential amendments to the Articles of Association. The changes are summarised in paragraph 8 of Part 5 and Part 6 of this document.

## **8. Further information**

Shareholders' attention is drawn to the further information set out in Parts 2 to 7 of this document.

Shareholders should read and rely on the whole of this document and not just the summarised information set out in this letter.

## 9. Action to be taken

A Form of Proxy for use in connection with the General Meeting is enclosed. Whether or not Shareholders intend to be present at the General Meeting, they are requested to complete and sign the accompanying Form of Proxy and return it, in accordance with the instructions printed on it, by post or (during normal business hours) by hand to Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZL to arrive as soon as possible and, in any event, by no later than 10.00 a.m. on 28 July 2010. Shareholders who hold their Existing Ordinary Shares in CREST may appoint a proxy by completing and transmitting a CREST Proxy Instruction to Equiniti so that it is received by no later than 10.00 a.m. on 28 July 2010. The return of a completed Form of Proxy or CREST Proxy Instruction will not prevent a Shareholder from attending the General Meeting and voting in person (in substitution for their proxy vote) should they wish to do so and are so entitled.

An Election Form for use by Shareholders (with the exception of Shareholders who hold their Existing Ordinary Shares in CREST) in connection with the Alternatives is enclosed with this document. To be valid, Election Forms must be validly completed and returned in the prepaid envelope provided so as to be received by Equiniti by no later than 11.00 a.m. on 17 August 2010. If Shareholders do not use the envelope provided, the Election Form should either be:

1. sent by post to Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA and postage will (where applicable) be payable; or
2. delivered by hand only (during normal business hours) to Equiniti, Holm Oak, Holm Oak Business Park, Woods Way, Goring-by-Sea, Worthing, West Sussex BN12 4FE.

Full details on how to complete and return the Election Form are set out in Part 4 of this document.

Shareholders who hold their Existing Ordinary Shares in CREST will not be sent the Election Form and may only elect in respect of the Alternatives through CREST. Please see paragraph 2 of Part 4 of this document for further information.

## 10. Shareholder helpline

If Shareholders have any queries in relation to the Form of Proxy, transmittal of electronic proxies, CREST Proxy Instructions, the Election Form or TTE Instructions, they may call the Shareholder helpline on 0871 384 2050 (+44 121 415 0259) if calling from outside the United Kingdom) between 8.30 a.m. and 5.30 p.m. on any Business Day. Calls to these numbers are charged at 8 pence per minute from a BT landline. Other telephony costs may vary. **Please note that the Shareholder helpline will not provide advice on the merits of the Alternatives or give any financial or tax advice.**

## 11. Risk factors

Set out below are risk factors relating to the Group in connection with the Proposals and to the B and C Shares. Additional risks and uncertainties not presently known to the Directors, or that the Directors currently consider to be immaterial, may also have an adverse effect on the business, results or financial condition of the Group in connection with the Proposals. **Investors should carefully consider these risk factors, together with the other information contained in this document, before making any decisions in relation to the matters set out in this document.**

### *Liquidity*

The Group's cash balances will reduce significantly following the return of cash pursuant to the Proposals. This will reduce the Group's ability to meet unexpected cash outflows, or the effects of reduced cash inflows, from existing resources. In current market conditions, it is possible that the Group may not be able to borrow readily or on acceptable terms to meet such contingencies.

### *Creditworthiness*

As a result of the return of cash pursuant to the Proposals, the Group will have lower net assets than would otherwise have been the case. This may affect the quantity of debt which the Group is able to raise and the terms on which it is able to do so.

### *Profits*

The reduction in the Group's cash balances resulting from the implementation of the Proposals will reduce the interest earned on such balances which will reduce the profits generated by the Group.

### *Lack of investment demand for managed property funds*

The Group's limited ability to co-invest and competition for mandates from other asset management firms may make growth of the Group's asset management business difficult to achieve. Competitive pressures on management fees may inhibit the profitability of the asset management business.

### *Risks relating to the B and C Shares*

The general guide to United Kingdom taxation in relation to the Proposals set out in Part 7 of this document is based on current United Kingdom tax law and HM Revenue & Customs practice as at the date of this document. Current legislation and practice may change and any such change may affect the taxation liabilities of Shareholders in relation to the Proposals. The attention of Shareholders is drawn to the paragraphs headed "Chapter 1, Part 13, Income Tax Act 2007" of Part 7 of this document.

## **12. Recommendation**

**The Board believes the Proposals to be in the best interests of Shareholders as a whole. Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolutions, as the Directors intend to do in respect of their own beneficial holdings, amounting in aggregate to 1,560,895 Existing Ordinary Shares representing approximately 14.0 per cent. of the current issued share capital of Rugby Estates Plc. In addition, the executive Directors have been advised that Rugby Estates Plc Retirement Benefits Scheme will vote 402,623 Existing Ordinary Shares, representing approximately 3.5 per cent. of the current issued share capital of Rugby Estates Plc, in favour of the Resolutions.**

A summary explanation of the Resolutions relating to the Proposals is set out in paragraph 10 of Part 5 of this document.

Yours sincerely

David Tweeddale-Tye  
*Executive Chairman*

## Part 2: Expected timetable of key events

Latest time and date for receipt of the Form of Proxy or CREST Proxy Instruction for the General Meeting	10.00 a.m. on 28 July 2010
General Meeting	10.00 a.m. on 30 July 2010
Latest time and date for receipt of Election Forms or TTE Instructions from CREST holders in relation to the Alternatives	11.00 a.m. on 17 August 2010
Existing Ordinary Shares disabled in CREST and Existing Ordinary Share register closed	5.00 p.m. on 17 August 2010
Share Split Record Date	5.00 p.m. on 17 August 2010
Record Time (for determining entitlement to the Capital Repayment on the B Shares and the Special Dividend on the C Shares)	5.00 p.m. on 17 August 2010
Court hearing to confirm the Reduction of Capital	18 August 2010
Latest time and date for dealings in Existing Ordinary Shares	4.30 p.m. on 18 August 2010
Effective date for Reduction of Capital	19 August 2010
Cancellation of trading of Existing Ordinary Shares	8.00 a.m. on 19 August 2010
New Ordinary Shares admitted to trading on AIM and dealings in the New Ordinary Shares commence	8.00 a.m. on 19 August 2010
CREST accounts credited with New Ordinary Shares	19 August 2010
Credit CREST accounts with, make BACS payments to mandated accounts in respect of or despatch cheques in respect of the Capital Repayment on the B Shares and the Special Dividend on the C Shares	On or around 2 September 2010
Despatch of share certificates in respect of New Ordinary Shares	On or around 2 September 2010

### Notes:

1. References to times in this document are to London times. If any of the above times or dates should change, the revised times and/or dates will be notified to Shareholders by an announcement on a Regulatory Information Service.
2. All events in the above timetable following the holding of the General Meeting are conditional on (i) the passing of Resolution 1 and (ii) Admission.

### **Part 3: Frequently asked questions**

The following sets out some frequently asked questions and provides brief answers about the Proposals. Shareholders should read and rely on the whole of this document and not just this Part 3.

If Shareholders have any further questions, they may call the Shareholder helpline on 0871 384 2050 (+44 121 415 0259 if calling from outside the United Kingdom) between 8.30 a.m. and 5.30 p.m. on any Business Day. Calls to these numbers are charged at 8 pence per minute from a BT landline. Other telephony costs may vary. **Please note that the Shareholder helpline will not provide advice on the merits of the Alternatives or give any financial or tax advice.**

#### **1. Why are you returning cash to Shareholders?**

During the financial year ended 31 January 2010, and following a strategic review of its business, the Company returned a total of approximately £14.7 million to Shareholders by way of B and C share schemes. The Group's strategy continues to be to concentrate on its asset management business and to realise its portfolio of directly-owned properties. Subject to retaining sufficient resources for the needs of the asset management business, the Company intends to return surplus funds to Shareholders as and when significant realisations are made. On 28 June 2010 and 1 July 2010, the Company announced further progress in the Group's property disposal programme with £15.8 million of properties sold since 31 January 2010. Accordingly, this document sets out the Company's intention to make a further return of cash of 175 pence per share to Shareholders pursuant to the Proposals.

#### **2. Why are you doing it in this way?**

We have chosen a method which we believe represents the most tax efficient and effective way, for UK resident or ordinarily resident Shareholders, to return cash to Shareholders. The proposed return of cash by way of the Proposals is intended to give Shareholders, where eligible under their prevailing tax regime (such as in the UK), the flexibility to receive their cash as capital or income for tax purposes, or a combination of the two.

#### **3. What happens to my Existing Ordinary Shares?**

The Proposals involve a Share Capital Consolidation where the Existing Ordinary Shares will be consolidated, reducing the number of ordinary shares that all Shareholders will hold. As a result of the Share Capital Consolidation, for every 15 Existing Ordinary Shares held at the Record Time, you will receive 7 New Ordinary Shares. Any fractional entitlements arising pursuant to the Share Capital Consolidation will not be allotted to Shareholders and will be aggregated into New Ordinary Shares and sold in the market for the benefit of the Company.

If the Share Capital Consolidation is not effected as part of the Proposals, the Company's ordinary share price would fall because the Company would no longer have the cash which is being returned to Shareholders. The intention of the Share Capital Consolidation is that, subject to market movements, the market price per New Ordinary Share immediately after Admission should be approximately similar to the market price per Existing Ordinary Share immediately prior to the implementation of the Proposals.

#### **4. What does this mean for me and am I being forced to sell my Existing Ordinary Shares?**

Nobody is being forced to sell his or her Existing Ordinary Shares. Although you will hold fewer ordinary shares in the Company after the Share Capital Consolidation than you did before, you will continue to own the same percentage holding in the Company (subject to fractional entitlements to New Ordinary Shares). The New Ordinary Shares will be equivalent in all material respects to the Existing Ordinary Shares, including as to their dividend rights.

With no market movement, the total value of your New Ordinary Shares immediately after the Share Capital Consolidation, plus 175 pence per Existing Ordinary Share to be returned to you under the Proposals, should be equal to the value of your holding immediately before the Share Capital Consolidation (subject to fractional entitlements).

## **5. Why are the Proposals so complicated?**

We appreciate that the Proposals can seem complicated. The structure is similar to that used by other public companies to return cash to shareholders and is similar to the two B and C share schemes undertaken by the Company during July 2009 and January 2010 pursuant to which £14.7 million was returned to the Company's shareholders. They are intended to provide all Shareholders with an equal opportunity to participate in receiving the cash and to allow them to choose the Alternative(s) that best suits their own circumstances, including their own tax position.

## **6. Why is the Reduction of Capital being proposed?**

The return of cash pursuant to the Proposals involves a reduction of the Company's share premium account and the cancellation of the B Shares and C Shares. This should ensure that Shareholders who elect for the Capital Alternative receive the correct capital gains tax treatment for UK tax purposes. In addition, depending on the amount of distributable reserves required to pay the Special Dividend to Shareholders who elect (or are deemed to have elected) for the Dividend Alternative, a further reduction of the Company's share premium account is being proposed to create additional distributable reserves such that after completion of the Proposals, the Company will have distributable reserves of not less than £2 million. This further reduction of capital (if required) will reduce the probability of the Company showing a retained loss at the end of the current financial year.

## **7. Do I need to vote at the General Meeting?**

Before they can be implemented, the Proposals need Shareholder approval of Resolution 1 at the General Meeting. The Directors recommend that you vote in favour of the Resolutions approving the Proposals. The notice of the General Meeting, which includes the Resolutions to be voted on at the General Meeting, is set out in Part 9 of this document.

Whether or not you intend to attend the General Meeting, you are requested to complete the Form of Proxy and return it to Equiniti as soon as possible but in any event so as to be received by no later than 10.00 a.m. on 28 July 2010. If you hold your Existing Ordinary Shares in CREST, you also have the option of transmitting a CREST Proxy Instruction by the same time and date. When completing and returning the Form of Proxy you will need to take into account the postal time necessary for your form to reach the registrars. If you do not vote at the General Meeting you should still make an election for the Alternatives except where you wish to receive the Special Dividend in respect of all of your Share Entitlement.

## **8. How do I decide which Alternative to elect for?**

You can split your entitlement between one or both of the Alternatives. The most appropriate Alternative(s) for you depends on your own individual tax and other circumstances. **If you are in any doubt as to what action to take, such as which Alternative(s) to elect for, you should seek your own independent professional advice without delay.**

## **9. What if I do not make my election in time or do nothing?**

Shareholders who do not validly complete and return their Election Form, or in the case of Shareholders who hold their Existing Ordinary Shares in CREST, do not send a valid TTE Instruction, to be received by 11.00 a.m. on 17 August 2010, will be deemed to have elected for the Dividend Alternative in respect of all of their Share Entitlement.

## **10. When do I get my New Ordinary Share certificate? When will my CREST account be credited with New Ordinary Shares?**

It is expected that share certificates representing the New Ordinary Shares will be sent to Shareholders by 2 September 2010. Share certificates are sent to Shareholders at their own risk. Shareholders will be able to trade their New Ordinary Shares in the normal manner prior to receipt by them of their new share certificates.

It is expected that the CREST accounts of Shareholders who hold their Existing Ordinary Shares in CREST will be credited with New Ordinary Shares at approximately 8.00 a.m. on 19 August 2010 under the new ISIN GB00B3WBZM82.

**11. Will I get a certificate for my B Shares and/or C Shares and can I sell them in the market?**

No, share certificates will not be issued in respect of the B Shares or C Shares. Whilst the B Shares and C Shares are technically transferable, they will not be listed or admitted to trading on AIM or any other investment exchange or trading platform and it is highly unlikely that an active market for them will develop or, if developed, be sustained. The B Shares and C Shares will be cancelled as part of the Proposals.

**12. What shall I do if I need a replacement Election Form?**

If you need a replacement Election Form, you should call the Shareholder helpline on 0871 384 2050 (+44 121 415 0259 if calling from outside the United Kingdom) between 8.30 a.m. and 5.30 p.m. on any Business Day. Calls to these numbers are charged at 8 pence per minute from a BT landline. Other telephony costs may vary. You will need to take into account the postal time necessary for a replacement Election Form to reach Equiniti by 11.00 a.m. on 17 August 2010.

## Part 4: Making your election

### 1. Completing your Election Form

Shareholders wishing to receive the Special Dividend in respect of all of their Share Entitlement need NOT complete or return the Election Form or make an election through CREST. C Shares will be issued and the Special Dividend paid automatically in respect of all of the Share Entitlement in relation to which a Shareholder has not elected for either of the Alternatives. Such Shareholders should still complete and return the Form of Proxy or transmit a CREST Proxy Instruction and ensure it is received by Equiniti by 10.00 a.m. on 28 July 2010.

To make an election, Shareholders who hold their Existing Ordinary Shares in certificated form must complete and return the Election Form enclosed with this document. Shareholders who hold their Existing Ordinary Shares in CREST will not be sent Election Forms and instead should refer to paragraph 2 of this Part 4 for further information.

The following instructions describe what Shareholders should do when completing an Election Form. Any decisions reached by Shareholders as between the Alternatives should be based on the information contained in this document. Shareholders who are in any doubt as to their tax position, or are subject to tax in a jurisdiction other than the United Kingdom, should consult an appropriate independent professional adviser without delay.

References to Boxes refer to the boxes indicated on the Election Form.

#### *Name(s) of Shareholder(s)*

The Election Form shows the name of the Shareholder, or names of joint Shareholders, of Existing Ordinary Shares for which an election can be made. When the Election Form is completed, the Shareholder, or all joint Shareholders, must sign the Election Form (in Box 3, as applicable) and the signatures of Shareholders who are individuals signing in Box 3A need to be witnessed (the witness must be over 18 years of age and cannot be the Shareholder or one of the joint Shareholders, or otherwise have any financial interest in the relevant shares or in the proceeds resulting from the execution of the Election Form, although one person could separately witness the signature of all joint Shareholders). If the Election Form is executed under a power of attorney, such power of attorney should be lodged with the Election Form.

#### *Number of Existing Ordinary Shares held*

Box A shows the number of Existing Ordinary Shares in the name(s) of Shareholder(s) at 5.00 p.m. on 14 July 2010 and is for information purposes only. If Shareholders do not purchase, sell or transfer any Existing Ordinary Shares registered in their name(s) between that date and the Record Time, then this number will also be the same as their Share Entitlement in respect of which they may make an election. If Shareholders do purchase, sell or transfer any Existing Ordinary Shares registered in their name(s), they should take care to ensure that their election is in respect of their Share Entitlement corresponding to the number of Existing Ordinary Shares that will be registered in their name(s) at the Record Time.

#### *How Shareholders may elect for one Alternative in respect of all of their Share Entitlement*

- To elect for the **Capital Alternative** in respect of all of their Share Entitlement, Shareholders should mark an "X" in Box 1.
- To elect for the **Dividend Alternative** in respect of all of their Share Entitlement, Shareholders should take no further action. Shareholders who do not complete or return the Election Form will automatically receive only C Shares in respect of all of their Share Entitlement on which the Special Dividend will be paid.

#### *How Shareholders may split their Share Entitlement between both Alternatives*

To split their Share Entitlement between both Alternatives, a Shareholder should enter, in numbers, the number of ordinary shares of their total Share Entitlement they wish to elect for the Capital Alternative in Box 1 and, the number of ordinary shares within their total Share Entitlement they wish to elect for the Dividend Alternative in Box 2.

***The default position where a Shareholder makes an election which in total exceeds their holding of Existing Ordinary Shares at the Record Time***

If Shareholders enter a number or numbers in Boxes 1 and/or 2 of the Election Form, which in total exceeds their holding of Existing Ordinary Shares at the Record Time, or if they mark an “X” in more than one Box, or if they mark an “X” in one Box and enter a number in the other Box their election will be disregarded to the extent of such excess in the following order:

- first, their election (if any) in respect of the Capital Alternative; and
- second, their election (if any) in respect of the Dividend Alternative.

***The default position where a Shareholder makes an election which in total is less than their holding of Existing Ordinary Shares at the Record Time***

If Shareholders enter a number or numbers in Boxes 1 and/or 2 of the Election Form, which in total is less than their holding of Existing Ordinary Shares at the Record Time, they will be deemed to have elected for the Dividend Alternative in respect of the balance of their holding.

***Subsequent dematerialisation of Existing Ordinary Shares***

If the Existing Ordinary Shares to which any election made on the enclosed Election Form relates are currently held in certificated form and are subsequently dematerialised into uncertificated form before the Election Deadline, any election made by the submission of an Election Form will become invalid. Shareholders who subsequently hold their Existing Ordinary Shares in uncertificated form in CREST will need to give a valid TTE Instruction in place of the submitted Election Form by the Election Deadline.

***General***

The Company shall determine all questions as to the form and validity (including time and place of receipt) of any Election Form, in its absolute discretion, which determination shall be final and binding. The Company also reserves the absolute right to waive any defect or irregularity in relation to, or in relation to the receipt of, any Election Form completed by or on behalf of any Shareholder, and such determination will be binding on such Shareholder. Neither the Company nor any of its directors shall be liable to Shareholders for any loss arising from the determination of questions as to the form and validity (including time and place of receipt) of any Election Form or TTE Instruction, unless and to the extent attributable to its own wilful default, fraud or negligence and the Company shall not be under any duty to give notification of any defect or irregularity in any Election Form or incur any liability for failure to give any such notice.

After the end of the Election Period, any election made is irrevocable. If the Election Period is extended, withdrawal rights will also be extended (withdrawal rights are described more fully in paragraph 5 of Part 5 of this document). No authority conferred by or agreed to by the signing of an Election Form will be affected by, and all such authorities will survive, the death or incapacity of the Shareholder executing such form or giving such instruction. All obligations of such Shareholder will be binding upon the heirs, personal representatives, successors and assigns of such Shareholder.

***Final instructions on completing an Election Form***

Shareholders returning an Election Form must sign in Box 3A or 3B.

All Shareholders named on an Election Form must sign the Election Form. Once completed, signed and witnessed, this Election Form should be returned in the prepaid envelope provided. No stamps will be needed if posted in the United Kingdom. To be valid, Election Forms must be returned so as to be received by Equiniti by the Election Deadline. If Shareholders do not use the envelope provided, the Election Form should either be:

1. sent by post to Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA and postage will (where applicable) be payable; or
2. delivered by hand (during normal business hours) to Equiniti, Holm Oak, Holm Oak Business Park, Woods Way, Goring-by-Sea, Worthing, West Sussex BN12 4FE.

**Shareholders who do not validly complete and return their Election Form or, in the case of Shareholders who hold their Existing Ordinary Shares in CREST, do not send a valid TTE instruction, will be deemed to have elected for the Dividend Alternative in respect of all of their Share Entitlement.**

**Shareholders who need assistance in completing the Election Form or have any queries relating to it should telephone the Shareholder helpline on 0871 384 2050 (+44 121 415 0259 if calling from outside the United Kingdom) between 8.30 a.m. and 5.30 p.m. on any Business Day. Calls to these numbers are charged at 8 pence per minute from a BT landline. Other telephony costs may vary. Please note that the Shareholder helpline will not provide advice on the merits of the Alternatives or give any financial or tax advice.**

## **2. Electing through CREST**

If Shareholders hold their Existing Ordinary Shares in CREST they will not be sent an Election Form with this document. Such Shareholders should take (or procure to be taken) the action set out below to transfer (by means of a TTE Instruction) the number of Existing Ordinary Shares held at the Record Time in respect of which they are making an election to an escrow balance, specifying Equiniti in its capacity as a CREST receiving agent (under its participant ID referred to below) as the escrow agent, as soon as possible and in any event so that the transfer to escrow settles not later than the Election Deadline. If Shareholders purchase, sell or transfer any Existing Ordinary Shares registered in their name(s) before the Record Time, they should take care to ensure that their election is in respect of the number of Existing Ordinary Shares that will be registered in their name(s) at the Record Time.

If Shareholders are CREST personal members, they should refer to their CREST sponsor before taking any action. CREST sponsors will be able to confirm details of Shareholders' participant ID and the member account ID under which their Existing Ordinary Shares are held. In addition, only CREST sponsors will be able to give the TTE Instruction to Euroclear by which Shareholders are making their election.

To make an election, Shareholders should give (or, if they are a CREST personal member, procure that their CREST sponsor gives) a TTE Instruction, which must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (a) the number of Existing Ordinary Shares to be transferred to the escrow account;
- (b) the participant ID;
- (c) the member account ID;
- (d) the corporate action ISIN, which is GB00B54S2L92;
- (e) the corporate action number of the Proposals. This is allocated by Euroclear and can be found by viewing the relevant corporate action details in CREST;
- (f) the intended settlement date for the transfer to escrow, which should be as soon as possible and in any event not later than the Election Deadline;
- (g) the standard delivery instruction priority of 80; and
- (h) the name and contact number inserted in the shared note field.

### ***How to elect for the Dividend Alternative***

Shareholders who hold their Existing Ordinary Shares in CREST and who wish to elect for the Dividend Alternative in respect of all of their Share Entitlement need take no action. Shareholders who do not give a TTE Instruction will automatically receive the Special Dividend in respect of all of their Share Entitlement. Shareholders who hold their Existing Ordinary Shares in CREST and who wish to make an election for the Dividend Alternative in respect of some of their Share Entitlement should give (or, if they are a CREST personal member, procure that their CREST sponsor gives) a TTE Instruction with the following information, in addition to the information listed above:

- the participant ID of Equiniti, which is 6RA87; and
- the member account ID of Equiniti, which for these purposes is RA023302.

### ***How to elect for the Capital Alternative***

Shareholders who hold their Existing Ordinary Shares in CREST and who wish to elect for the Capital Alternative in respect of some or all of their Share Entitlement should give (or, if they are a CREST personal member, procure that their CREST sponsor gives) a TTE Instruction with the following information, in addition to the information listed above:

- the participant ID of Equiniti, which is 6RA87; and
- the member account ID of Equiniti, which for these purposes is RA023301.

### ***The default position where a Shareholder makes an election which in total exceeds their holding of Existing Ordinary Shares at the Record Time***

If Shareholders send a TTE Instruction which details a number of Existing Ordinary Shares to be transferred to the escrow account which in total exceeds their holding of Existing Ordinary Shares at the Record Time, their election will be disregarded to the extent of such excess in the following order:

- first, their election (if any) in respect of the Capital Alternative; and
- second, their election (if any) in respect of the Dividend Alternative.

### ***The default position where a Shareholder makes an election which in total is less than their holding of Existing Ordinary Shares at the Record Time***

If Shareholders send a TTE Instruction which details a number of Existing Ordinary Shares to be transferred to the escrow account which in total is less than their holding of Existing Ordinary Shares at the Record Time, they will be deemed to have elected for the Dividend Alternative in respect of the balance of their holding.

### ***Subsequent rematerialisation of Existing Ordinary Shares***

If the Existing Ordinary Shares to which any TTE Instruction relates are currently held in uncertificated form in CREST and are subsequently rematerialised into certificated form before the Election Deadline, any TTE Instruction given will become invalid. Shareholders who subsequently hold their Existing Ordinary Shares in certificated form will need to submit a valid Election Form bearing details of the new shareholding account to be received by Equiniti by the Election Deadline. Election Forms can be obtained by telephoning the Shareholder helpline on 0871 384 2050 (+44 121 415 0259 if calling from outside the United Kingdom) between 8.30 a.m. and 5.30 p.m. on any Business Day. Calls to these numbers are charged at 8 pence per minute from a BT landline. Other telephony costs may vary.

### ***General***

The Company shall determine all questions as to the form and validity (including time and place of receipt) of any TTE Instruction, in its absolute discretion, which determination shall be final and binding. The Company also reserves the absolute right to waive any defect or irregularity in relation to, or in relation to the receipt of, any TTE Instruction completed by or on behalf of any Shareholder, and such determination will be binding on such Shareholder. Neither the Company nor any of its directors shall be liable to Shareholders for any loss arising from the determination of questions as to the form and validity (including time and place of receipt) of any Election Form or TTE Instruction, unless and to the extent attributable to its own wilful default, fraud or negligence and the Company shall not be under any duty to give notification of any defect or irregularity in any TTE Instruction or incur any liability for failure to give any such notice.

After the end of the Election Period, any election made is irrevocable. If the Election Period is extended, withdrawal rights will also be extended (withdrawal rights are described more fully in paragraph 5 of Part 5 of this document). No authority conferred by or agreed to by the giving of a TTE Instruction will be affected by, and all such authorities will survive, the death or incapacity of the Shareholder giving such instruction. All obligations of such Shareholder will be binding upon the heirs, personal representatives, successors and assigns of such Shareholder.

***Final instructions on sending a TTE Instruction***

In order for an election through CREST to be valid, the TTE Instruction must comply with the requirements as to authentication and contents set out above and must settle by the Election Deadline.

CREST members and (where applicable) their CREST sponsors should note that the last time at which a TTE Instruction may settle is the Election Deadline.

Shareholders who do not send a valid TTE Instruction or, in the case of Shareholders who hold their Existing Ordinary Shares in certificated form, do not validly complete and return their Election Form, will be deemed to have elected for the Dividend Alternative in respect of all of their Share Entitlement.

Shareholders who need assistance in electing through CREST or have any queries relating to it should telephone the Shareholder helpline on 0871 384 2050 (+44 121 415 0259 if calling from outside the United Kingdom) between 8.30 a.m. and 5.30 p.m. on any Business Day. Calls to these numbers are charged at 8 pence per minute from a BT landline. Other telephony costs may vary. Please note that the Shareholder helpline will not provide advice on the merits of the Alternatives or give any financial or tax advice.

## **Part 5: Details of the Proposals**

### **1. Proposals**

The proposed return of cash pursuant to the Proposals consists of the Capital Reorganisation and the Reduction of Capital (see paragraph 3 below) and the Alternatives (see paragraph 4 below).

### **2. Conditions to the implementation of the Proposals**

The return of cash pursuant to the Proposals is conditional on:

- (a) the passing of Resolution 1 to be proposed at the General Meeting;
- (b) the Reduction of Capital being approved by the Court;
- (c) the Court Order being registered by the Registrar of Companies; and
- (d) Admission.

If these conditions are not satisfied by 8.00 a.m. on the Admission Date, no New Ordinary Shares will be created, no B Shares or C Shares will be issued or cancelled and the Proposals will not take effect.

### **3. Capital Reorganisation and Reduction of Capital**

The proposed Capital Reorganisation consists of the Share Split and the Share Capital Consolidation, each described in this paragraph 3, together with the Reduction of Capital.

#### ***Share Split***

Subject to the approval of Shareholders at the General Meeting, each Existing Ordinary Share in issue on the Share Split Record Date will be sub-divided into one ordinary share of 7 pence together with either (at the election of Shareholders) one C Share or one B Share. Shareholders will automatically receive C Shares except to the extent they elect for B Shares.

The exact number of B Shares and C Shares to be issued will depend on the elections made by each Shareholder between the Alternatives, but in total will be equal to the number of Existing Ordinary Shares held by the relevant Shareholder at the Record Time. As at 14 July 2010 (the latest practicable date prior to the publication of this document) there were 11,473,573 Existing Ordinary Shares in issue.

The rights and restrictions to be attached to the B Shares and the C Shares are more fully set out in Part 6 of this document. No application has been, or will be, made for the B Shares or the C Shares to be listed or admitted to trading on AIM or any other investment exchange or trading platform.

The Company will announce the exact number of B Shares and C Shares issued under the proposed Capital Reorganisation on the Admission Date.

#### ***Reduction of Capital***

The implementation of the Reduction of Capital is subject to the approval of Shareholders at the General Meeting, confirmation by the Court and the Court Order being registered by the Registrar of Companies. It is expected that on 18 August 2010 the Court will hear the Company's claim form under section 641 of the Act for an order confirming a reduction in the Company's share capital by the cancellation of the B Shares and the reduction of the share premium amount by such further sum as is required (i) to return 175 pence in aggregate per B Share to the Shareholders holding B Shares at the Record Time and (ii) by the cancellation of the C Shares. Depending on the amount of distributable reserves required to pay the Special Dividend to Shareholders, the Directors are also proposing to further reduce the Company's share premium account such that after completion of the Proposals, the Company will have distributable reserves of not less than £2 million. The exact amount of distributable reserves utilised in implementing the Proposals will depend on the extent to which Shareholders elect (or are deemed to have elected) for the Dividend Alternative. The further reduction of capital proposed would ensure that the Company retains distributable reserves of not less than £2 million, which will reduce the probability of the Company showing a retained loss at the end of the current financial year.

The Court will require to be satisfied that the interests of the Company's creditors will not be prejudiced as a result of the Reduction of Capital. The Company will put into place such form of creditor protection (if any) as the Court may require.

The Court Order is expected to be registered under the Act and the Reduction of Capital is expected to become effective on 19 August 2010.

### ***Share Capital Consolidation***

Subject to the Reduction of Capital becoming effective, the ordinary share capital of the Company will be sub-divided (to create B Shares and C Shares) and, to reflect the effect of the return of 175 pence per Existing Ordinary Share, consolidated on the basis of 7 New Ordinary Shares for every 15 Existing Ordinary Shares held at the Record Time.

So, for example, a Shareholder who holds 100 Existing Ordinary Shares at the Record Time would, after the Share Capital Consolidation, be entitled to receive 46 New Ordinary Shares. No fractions of shares are being issued (see below). The Shareholder would then also receive 100 new shares comprising B Shares or C Shares or a combination of both (depending on the elections made by the Shareholder between the Alternatives) as a result of the allotment and issue of the B Shares and C Shares.

The intention of the Share Capital Consolidation is that, subject to market movements, the market price per New Ordinary Share immediately following Admission should be approximately similar to the market price per Existing Ordinary Share immediately prior to the implementation of the Proposals.

Whilst the effect of the Capital Reorganisation will be to reduce the number of ordinary shares in issue to reflect the effect of the return of 175 pence per Existing Ordinary Share to Shareholders, Shareholders will own the same proportion of the Company as they did previously, subject to fractional entitlements.

The Share Capital Consolidation will take place immediately following the Reduction of Capital becoming effective.

New Ordinary Shares will be traded on AIM in the same way as Existing Ordinary Shares and will be equivalent in all other respects to the Existing Ordinary Shares.

Application will be made for the New Ordinary Shares to be admitted to trading on AIM, with dealings expected to commence at 8.00 a.m. on 19 August 2010. The Company will apply for the New Ordinary Shares to be enabled in CREST with effect from Admission so that general market transactions in the New Ordinary Shares may be settled within the CREST system.

Share certificates representing the New Ordinary Shares will be issued following the Capital Reorganisation and are expected to be sent to Shareholders on or around 2 September 2010. Shareholders who hold their Existing Ordinary Shares in CREST will automatically have their New Ordinary Shares credited to their CREST account. The relevant CREST accounts are expected to be credited at approximately 8.00 a.m. on 19 August 2010. The ISIN of the New Ordinary Shares will be GB00B3WBZM82.

### ***Fractional entitlements to New Ordinary Shares***

Unless a holding of Existing Ordinary Shares is exactly divisible by 15, a Shareholder will have a fractional entitlement to a New Ordinary Share following the Share Capital Consolidation. So for example, a Shareholder having 100 Existing Ordinary Shares would, after giving effect to the allotment and issue of B Shares and C Shares and the Share Capital Consolidation, be entitled to 46 New Ordinary Shares and a fractional entitlement to two-thirds of a New Ordinary Share. By contrast, a Shareholder with 105 Existing Ordinary Shares would, after giving effect to the allotment and issue of B Shares and C Shares and the Share Capital Consolidation, be entitled to 49 New Ordinary Shares and no fractional entitlement. Any fractional entitlements will not be allotted to Shareholders but will be aggregated into New Ordinary Shares and sold in the market for the benefit of the Company.

#### **4. The Alternatives**

Shareholders may choose between the Alternatives (the Dividend Alternative and the Capital Alternative) or a combination of the Alternatives in respect of their Share Entitlement. Details of how to make an election are set out in Part 4 of this document and on the Election Form enclosed with this document. Shareholders who hold their Existing Ordinary Shares in CREST will not be sent Election Forms. Such Shareholders may only elect in respect of the Alternatives through CREST and should refer to paragraph 2 of Part 4 of this document for further information.

**Shareholders who do not make a valid election will be deemed to have elected for the Dividend Alternative in respect of ALL of their Share Entitlement.**

The general guidance on the UK tax treatment included below is only a summary, is based on current UK law and practice as at the date of this document and applies only to Shareholders who are resident and, if they are individuals, ordinarily resident in the UK for tax purposes and who hold their Existing Ordinary Shares, B Shares and/or C Shares beneficially as investments and not on trading account. UK tax resident Shareholders should read Part 7 of this document before electing for any of the Alternatives as the two Alternatives will have different UK tax consequences. Shareholders who are in any doubt as to their tax position, or are subject to tax in a jurisdiction other than the United Kingdom, should consult an appropriate professional adviser without delay.

##### ● *Alternative 1 – Capital Alternative*

Shareholders who elect for the Capital Alternative in respect of some or all of their Share Entitlement will receive one B Share for each corresponding Existing Ordinary Share they hold at the Record Time.

Each such B Share will be cancelled pursuant to the Reduction of Capital and the holders of such shares will be entitled to receive the Capital Repayment of 175 pence for each B Share so cancelled. The B Shares will not be listed or admitted to trading on AIM or any other investment exchange or trading platform and cannot be held in CREST. No share certificates will be issued in respect of the B Shares issued pursuant to the Capital Alternative.

Shareholders entitled to receive the Capital Repayment pursuant to the Capital Alternative will be sent cheques or receive a credit to their CREST accounts on or around 2 September 2010.

The proceeds received under the Capital Alternative should generally be taxed as capital for UK tax purposes. UK tax resident Shareholders should read Part 7 of this document for further information.

To elect for the Capital Alternative in respect of some or all of their Share Entitlement, Shareholders should follow the instructions in Part 4 of this document or, if they hold their Existing Ordinary Shares in CREST, Shareholders should refer to paragraph 2 of Part 4 of this document for further information.

The rights and restrictions to be attached to the B Shares are more fully set out in Part 6 of this document.

The attention of Non-United Kingdom Shareholders is drawn to paragraph 6 of this Part 5 of this document.

##### ● *Alternative 2 – Dividend Alternative*

Shareholders who elect, or are deemed to have elected, for the Dividend Alternative in respect of some or all of their Share Entitlement will receive one C Share for each corresponding Existing Ordinary Share they hold at the Record Time. A Special Dividend of 175 pence will, subject to the Reduction of Capital becoming effective, be payable on each such C Share. It is expected that Shareholders entitled to receive the Special Dividend will be sent cheques or, if mandate instructions are held, payments will be made by BACS to mandated accounts, on or around 2 September 2010.

Each C Share will be cancelled pursuant to the Reduction of Capital. The C Shares will not be listed or admitted to trading on AIM or any other investment exchange or trading platform and cannot be held in CREST. No share certificates will be issued in respect of the C Shares.

The amounts received under the Dividend Alternative should generally be taxed as income for UK tax purposes. UK tax resident Shareholders should read Part 7 of this document for further information.

Shareholders who wish to elect for the Dividend Alternative in respect of all of their Share Entitlement need take no further action and need not return their Election Form or send a TTE Instruction. To elect for the Dividend Alternative in respect of some only of their Share Entitlement, Shareholders should follow the instructions in Part 4 of this document or, if they hold their Existing Ordinary Shares in CREST, Shareholders should refer to paragraph 2 of Part 4 of this document for further information.

The rights and restrictions to be attached to the C Shares are more fully set out in Part 6 of this document.

The attention of Non-United Kingdom Shareholders is drawn to paragraph 6 of Part 5 of this document.

## **5. Withdrawal rights**

Shareholders should note that any election, whether made by the signing of an Election Form or the giving of a TTE Instruction, relating to the Alternatives may be withdrawn by Shareholders at any time prior to the end of the Election Period. If an election is validly withdrawn, the Shareholder may make a new election within the Election Period, but if a new valid election is not made by the end of the Election Period, the Shareholder will be deemed to have elected for the Dividend Alternative in respect of all of their Share Entitlement. After the end of the Election Period, any election made is irrevocable. If the Election Period is extended, withdrawal rights will also be extended.

Shareholders wishing to withdraw their election must inform the Shareholder helpline by calling 0871 384 2050 (+44 121 415 0259 if calling from outside the United Kingdom) between 8.30 a.m. and 5.30 p.m. on any Business Day. Calls to these numbers are charged at 8 pence per minute from a BT landline. Other telephony costs may vary. If such Shareholders wish to re-elect in respect of the Alternatives, they can request a replacement Election Form or receive instructions on how to re-elect through CREST from the Shareholder helpline. Shareholders will need to take into account the postal time necessary for a replacement Election Form to reach Equiniti by the Election Deadline.

For a withdrawal of any election to be effective, a written notice of withdrawal signed by the person(s) who signed the relevant Election Form or the Shareholder(s) who gave the relevant TTE Instruction must:

- (a) specify the name(s) and address(es) of the person(s) who is/are tendering the election to be withdrawn, the account number (which, for Shareholders who hold their Existing Ordinary Shares in certificated form, appears on the front page of the relevant Election Form) and the exact number of their Share Entitlement to be withdrawn; and
- (b) in the case of an election originally made by a TTE Instruction, be accompanied by a valid ESA Message given by the person(s) who gave the relevant TTE Instruction,

and be received by Equiniti one hour before the Election Deadline.

Each ESA message must, in order to be valid and settle, include the following details:

- the ISIN number for the Existing Ordinary Shares. This is GB00B54S2L92;
- the number of Existing Ordinary Shares to be withdrawn;
- the participant ID of the accepting Shareholder;
- the member account ID of the accepting Shareholder;
- the participant ID of the Escrow Agent. This is 6RA87;
- the member account ID of the Escrow Agent included in the relevant Electronic Acceptance. This is RA023302 for the Dividend Alternative and RA023301 for the Capital Alternative;
- the CREST transaction ID of the electronic acceptance to be withdrawn, to be inserted at the beginning of the shared note field;
- input with a standard delivery instruction priority of 80;

- the intended settlement date for the withdrawal; and
- the corporate action number of the Proposals. This is allocated by Euroclear and can be found by viewing the relevant corporate action details in CREST.

Any such withdrawal will be conditional upon Equiniti verifying that the withdrawal is validly made. Accordingly, Equiniti will, on behalf of the Company, reject or accept the withdrawal by transmitting in CREST a receiving agent reject (AEAD) or a receiving agent accept (AEAN) message, as the case may be.

Telex, facsimile, electronic mail or other electronic means of transmission or any form of copy of written notice will not constitute a written instruction of withdrawal.

Withdrawals may not be rescinded, but re-elections may be made at any time prior to the end of the Election Period. Withdrawals and any re-elections in respect of Share Entitlements that are received by Equiniti after the end of the Election Period will be deemed invalid for the purposes of the Alternatives. Any Shareholder who withdraws their election before the end of the Election Period and does not re-elect their Share Entitlement will be deemed to have elected for the Dividend Alternative in respect of all of their Share Entitlement.

The Company shall determine all questions as to the form and validity (including time and place of receipt) of all notices of withdrawal, in their absolute discretion, which determination shall be final and binding. The Company also reserves the absolute right to waive any defect or irregularity in relation to, or in relation to the receipt of, any withdrawal by any Shareholder, and such determination will be binding on such Shareholder. None of the Company, Equiniti or any other person will be under any duty to give notification of any defect or irregularity in any notice of withdrawal or incur any liability for failure to give any such notification or for any reason with regard to withdrawal and re-election.

## **6. Non-United Kingdom Shareholders**

Non-United Kingdom Shareholders should consult their professional advisers to ascertain whether the Proposals (including, as may be relevant in each case, the creation, holding or cancellation of the B Shares and/or the C Shares) will be subject to any restrictions or require compliance with any formalities imposed by the laws or regulations of, or any body or authority located in, the jurisdiction in which they are resident or to which they are subject. In particular, it is the responsibility of any Non-United Kingdom Shareholder to satisfy himself as to full observance of the laws of each relevant jurisdiction in connection with the Proposals, including the obtaining of any government, exchange control or other consents which may be required, or the compliance with other necessary formalities needing to be observed and the payment of any issue, transfer or other taxes or duties in such jurisdiction.

The distribution of this document in certain jurisdictions may be restricted by law. Persons into whose possession this document comes should inform themselves about and observe any such restrictions. Neither this document nor any other document issued or to be issued by or on behalf of the Company in connection with the Proposals constitutes an invitation, offer or other action on the part of the Company in any jurisdiction in which such invitation, offer or other action is unlawful.

Each Shareholder by whom, or on whose behalf, an Election Form is executed or TTE Instruction is given, irrevocably represents, warrants, undertakes and agrees to and with the Company that such Shareholder has observed the laws of all relevant territories, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due from such Shareholder in connection with any election for either or both of the Alternatives in any territory and such Shareholder has not taken or omitted to take any action which may result in the Company or any other persons acting in breach of the legal or regulatory requirements of any territory in connection with the Proposals or such Shareholder's election for either or both of the Alternatives.

If the Company is advised that it would or might be in breach of legal or regulatory requirements in any jurisdiction, or that the Company would or might be required to make filings or take any other action in any jurisdiction as a result of an election made pursuant to an Election Form or TTE Instruction by a Non-United Kingdom Shareholder, such Non-United Kingdom Shareholder shall be

deemed to have elected to receive the Dividend Alternative (unless the Directors otherwise determine in their absolute discretion).

The above provisions of this paragraph relating to Non-United Kingdom Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by the Directors in their absolute discretion.

#### **7. All Employee Share Ownership Plan**

The trustees of the All Employee Share Ownership Plan will send letters to participants in that plan asking them how they wish the trustees to act in relation to Existing Ordinary Shares held on their behalf under the plan in respect of the Proposals.

#### **8. Proposed amendments to the Articles of Association**

A number of amendments to the Articles of Association are required to implement the Proposals and require approval at the General Meeting. Such amendments include the insertion into the Articles of Association of the rights and restrictions attaching to the B Shares and C Shares. Such rights and restrictions are summarised in Part 6 of this document. In addition, the description of the share capital of the Company will be updated to reflect the effect of the Share Capital Consolidation and the creation of the B Shares and C Shares.

The rights and restrictions attaching to the B Shares and the C Shares will be set out in the proposed interim Articles to be adopted at the General Meeting in place of the current Articles. The rights and restrictions attaching to the B Shares and the C Shares are summarised in Part 6 of this document.

Following the Reduction of Capital and the Share Capital Consolidation and in order to reflect the cancellation of the B Shares and the C Shares, the interim Articles will be replaced by new Articles which will be identical to the current Articles. The New Ordinary Shares will have the same rights in all respects as those of the Existing Ordinary Shares, including as to dividends and voting.

#### **9. Dealings and despatch of documents**

The return of cash pursuant to the Proposals will be made by reference to holdings of Existing Ordinary Shares on the Company's register of members at the Record Time.

Dealings and settlement within the CREST system of the Existing Ordinary Shares will continue until the Election Deadline when, in the case of Existing Ordinary Shares held in certificated form, the register of members will be closed for transfers and no further transfers of Existing Ordinary Shares will be possible. The registration of uncertificated holdings in respect of the Existing Ordinary Shares will be 'disabled' in CREST at the Record Time.

The Company will apply for the New Ordinary Shares to be admitted to CREST with effect from the Admission Date. Accordingly, settlement of transactions in the New Ordinary Shares may take place within the CREST system in respect of general market transactions. The New Ordinary Shares, the B Shares and the C Shares are not renounceable and will be in registered form.

Shareholders who hold their Existing Ordinary Shares in CREST are expected to have their CREST accounts credited with New Ordinary Shares at approximately 8.00 a.m. on 19 August 2010 under the new ISIN GB00B3WBZM82.

From the Record Time, Existing Ordinary Share certificates will no longer be valid. New Ordinary Share certificates will only be issued following the Share Capital Consolidation. It is therefore important that, if Shareholders hold certificates in respect of their Existing Ordinary Shares, they retain them until New Ordinary Share certificates are sent, which will be by 2 September 2010. Following this date, the certificates in respect of the Existing Ordinary Shares can be destroyed. Share certificates are sent to Shareholders at their own risk.

No share certificates will be issued by the Company in respect of B Shares or C Shares.

Shareholders holding New Ordinary Shares through the CREST system will not receive any share certificates.

Temporary documents of title will not be issued and, pending despatch of share certificates, transfers of New Ordinary Shares held in certificated form will be certified against the register held by Equiniti.

Shareholders entitled to receive the Special Dividend are expected to be sent cheques or, if mandate instructions are held, payments are expected to be made by BACS to mandated accounts on or around 2 September 2010.

Shareholders entitled to receive the Capital Repayment pursuant to the Capital Alternative are expected to be sent cheques or receive a credit to that CREST account on or around 2 September 2010.

All share certificates and cheques will be sent by post, at the risk of the Shareholder entitled to them, to the registered address of the relevant Shareholders (or, in the case of joint Shareholders, to the address of that joint Shareholder whose name stands first in the register in respect of such joint Shareholding).

Subject to any instructions to the contrary, share registration and dividend payment mandates in respect of holdings of Existing Ordinary Shares will continue to apply in respect of New Ordinary Shares.

#### **10. General Meeting and explanation of Resolutions relating to the Proposals**

The Proposals require the approval of Resolution 1 by Shareholders at the General Meeting. Notice of the General Meeting is set out in Part 9 of this document. The General Meeting will be held at 4 Farm Street, Mayfair, London, W1J 5RD at 10.00 a.m. on 30 July 2010.

Shareholders will find enclosed with this document a Form of Proxy for use in respect of the General Meeting.

**Whether or not Shareholders intend to be present at the General Meeting, they are requested to complete and sign the accompanying Form of Proxy and return it, in accordance with the instructions printed on it, by post or (during normal business hours) by hand to Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZL to arrive as soon as possible and, in any event, by no later than 10.00 a.m. on 28 July 2010. Shareholders who hold their Existing Ordinary Shares in CREST may appoint a proxy by completing and transmitting a CREST Proxy Instruction to Equiniti so that it is received by no later than 10.00 a.m. on 28 July 2010.**

The return of a completed Form of Proxy, the transmittal of an electronic proxy or CREST Proxy Instruction will not prevent a Shareholder from attending the General Meeting and voting in person (in substitution for their proxy vote) should they wish to do so and are so entitled.

Resolutions 1, 2 and 4 will be proposed as special resolutions and will be passed if at least 75 per cent. of the votes cast (whether in person or by proxy) are in favour. Resolution 3 will be proposed as an ordinary resolution and will be passed if a simple majority of the votes cast (whether in person or by proxy) are in favour. Resolution 4 is conditional on Resolution 3 being passed and becoming effective.

Resolutions 2 and 3 are conditional upon the passing of Resolution 1 and the Reduction of Capital becoming effective. A summary of the paragraphs comprising the Resolutions relating to the Proposals follow below.

##### ● ***Resolution 1 – The Proposals***

Resolution 1 sets out the formal mechanics for the implementation of the Proposals.

Paragraph (a) provides for the sub-division and re-designation of the ordinary shares of 15 pence each in issue at the close of business on 17 August 2010 into ordinary shares of 7 pence together with either (at the election of Shareholders) B Shares or C Shares. The rights and restrictions attaching to the B Shares and the C Shares are summarised in Part 6 of this document.

Paragraph (b) provides for the payment of the Special Dividend on the C Shares, subject to the Company having sufficient distributable reserves and the Reduction of Capital becoming effective.

Paragraph (c) reduces the share capital of the Company by (i) the cancellation of the B Shares and the reduction of the share premium account to create a reserve which, when aggregated with the reserve arising from the cancellation of the B Shares, is equal to the amount of the Capital Return; (ii) the cancellation of the C Shares and (iii) a further reduction of the share premium account, if required, such that after completion of the Proposals the Company will have distributable reserves of no less than £2 million (before taking account of any profits or losses arising since 31 January 2010). The cancellation will not take effect until confirmed by the Court and the Court Order has been registered by the Registrar of Companies.

Paragraphs (d) to (f) provide for the mechanics of the Share Capital Consolidation, including the sub-division and consolidation of the ordinary shares of 7 pence each into New Ordinary Shares of 15 pence each and the purchase and cancellation of any deferred share resulting from the Share Capital Consolidation.

Paragraph (g) provides for the adoption of interim Articles which set out the rights and restrictions attaching to the New Ordinary Shares, the B Shares and the C Shares and paragraph (h) provides that the rights of the New Ordinary Shares shall be the same in all respects as the Existing Ordinary Shares. Following the sub-division and consolidation referred to in paragraph (d), the interim Articles will be replaced by new Articles which will be identical to the Articles existing as at the time of the General Meeting.

Paragraph (i) provides for the contingency that the Court does not confirm the Reduction of Capital by the Long-Stop Date and has the effect of returning the classes of shares then in issue to a single class of ordinary shares of 15 pence each, having the same rights and restrictions as attach to the ordinary shares of 15 pence each presently in issue.

● ***Resolution 2 – Authority to purchase New Ordinary Shares***

This resolution, which is conditional upon Resolution 1 being passed and becoming effective, will confer general authority for the market purchase by the Company of up to 803,150 New Ordinary Shares, representing 14.99 per cent. of the Company's issued ordinary share capital following the implementation of the Share Capital Consolidation.

The price paid for shares will not be less than the nominal value of 15 pence per New Ordinary Share nor more than 5 per cent. above the average of the Closing Price of the Company's ordinary shares on the five Business Days preceding the day on which the shares are purchased. The Directors have no present intention of exercising this authority.

This authority will expire at the conclusion of the annual general meeting of the Company to be held in 2011 and, if passed, will replace the existing authority relating to market purchases of Ordinary Shares by the Company passed on 28 June 2010.

● ***Resolutions 3 and 4 – Authority to allot unissued shares***

Resolution 3, which is conditional upon Resolution 1 being passed and becoming effective, will give the Directors authority to allot up to 1,784,778 New Ordinary Shares, representing approximately 33 per cent. of the issued ordinary share capital of the Company assuming implementation of the Share Capital Consolidation. In addition, Resolution 3 will give the Directors authority to allot up to a further 1,784,778 New Ordinary Shares, representing approximately 33 per cent. of the issued ordinary share capital of the Company assuming implementation of the Share Capital Consolidation, pursuant to a fully pre-emptive rights issue. This additional authority is consistent with the Association of British Insurer's guidance on share allotment authorities.

Resolution 4, which is conditional upon Resolution 3 being passed and becoming effective, will give the Directors authority to allot New Ordinary Shares for cash, free from the statutory pre-emption rights. This authority (which in each case assumes implementation of the Share Capital Consolidation) is limited to (i) allotments for cash representing approximately 10 per cent. of the issued ordinary share capital of the Company, (ii) allotments representing approximately 33 per cent. of the issued ordinary

share capital of the Company in connection with an open offer (or similar offering) whereby the shares are offered to holders of equity securities in proportion (as nearly as may be) to their respective existing holdings and (iii) allotments of up to approximately 66 per cent. of the issued ordinary share capital of the Company in connection with a fully pre-emptive rights issue.

These two resolutions, if passed, will replace the existing authorities relating to the allotment of shares in the capital of the Company passed on 28 June 2010.

## Part 6: Rights and restrictions attached to the B Shares and C Shares

The following summarises the proposed amendments to be reflected in the interim Articles relating to the rights and restrictions attaching to the B Shares and the C Shares:

### 163. RIGHTS AND RESTRICTIONS ATTACHED TO THE B SHARES

#### 163.1 Election Form

- 163.1.1 Together with a circular to all Shareholders dated 15 July 2010 (the “**Circular**”), Shareholders who held their Existing Ordinary Shares in certificated form were sent a form of election (“**Election Form**”) relating to the B Shares and C Shares proposed to be created by the Company, as more fully described in the Circular. Pursuant to the Election Form or, where Shareholders held their Existing Ordinary Shares in uncertificated form, by following the instructions set out in the Circular, Shareholders could elect (an “**Election**”), among other things, to receive B Shares to be cancelled pursuant to the Proposals (as defined and described in the Circular) (the “**Capital Alternative**”).
- 163.1.2 Shareholders who do not validly complete and return their Election Form or, in the case of Shareholders who hold their Existing Ordinary Shares in uncertificated form, do not send a valid TTE instruction by 11.00 a.m. on 17 August 2010 (or such later time and/or date as the Directors may determine in their absolute discretion), will be deemed to have elected for the Dividend Alternative (as defined and described in the Circular) in respect of each Existing Ordinary Share held by them.
- 163.1.3 The Directors, in their absolute discretion, shall determine all questions as to the form and validity (including time and place of receipt) of any Election Form or TTE instruction, which determination shall be final and binding. The Directors also reserve the absolute right to waive any defect or irregularity in relation to, or in relation to the receipt of, any Election Form or TTE instruction completed by or on behalf of any Shareholder and such determination will be binding on such Shareholder.

#### 163.2 Income

The B Shares shall confer no right to participate in the profits of the Company.

#### 163.3 Capital

- 163.3.1 Except as provided in Article 163.5, on a return of capital on winding-up or otherwise (including a Court-approved reduction of capital paid up on the B Shares pursuant to the Act), the holders of B Shares shall be entitled, in priority to any payment to the holders of every other class of share in the capital of the Company (except the C Shares) but *pari passu* with any payment to the holders of C Shares, to 175 pence for each B Share held by them.
- 163.3.2 On a winding-up, the holders of the B Shares shall not be entitled to any further right of participation in the profits or assets of the Company in excess of that specified in Article 163.3.1 above. In the event that there is a winding-up to which Article 163.3.1 applies and the amounts available for payment are insufficient to pay the amounts due on all the B Shares in full, the holders of the B Shares shall be entitled to their pro-rata proportion of the amounts to which they would otherwise be entitled.
- 163.3.3 The aggregate entitlement of each holder of B Shares on a winding-up in respect of all of the B Shares held by him shall be rounded up to the nearest penny.
- 163.3.4 The holders of the B Shares shall not be entitled to any further right of participation in the assets of the Company.

#### **163.4 Voting and general meetings**

The holders of B Shares shall not be entitled, in their capacity as holders of such shares, to receive notice of any general meeting of the Company nor to attend, speak or vote at any such general meeting.

#### **163.5 Class rights**

163.5.1 The Company may from time to time create, allot and issue further shares, whether ranking *pari passu* with or in priority or subsequent to the B Shares. The creation, allotment or issue of any such further shares (whether or not ranking in any respect in priority to the B Shares) shall be treated as being in accordance with the rights attaching to the B Shares and shall not involve a variation of such rights for any purpose or require the consent of the holders of the B Shares.

163.5.2 A reduction by the Company of the capital paid up or credited as paid up on the B Shares and the cancellation of such shares shall be treated as being in accordance with the rights attaching to the B Shares and shall not involve a variation of such rights for any purpose or require the consent of the holders of the B Shares.

163.5.3 Without prejudice to the foregoing, the Company is authorised to reduce (or purchase shares in) its capital of any class or classes and such reduction (or purchase) shall not involve a variation of any rights attaching to the B Shares for any purpose or require the consent of the holders of the B Shares.

163.5.4 If at any time a currency other than sterling is accepted as legal tender in the United Kingdom in place of or in addition to sterling, the Directors shall be entitled, without the consent of holders of ordinary shares, B Shares or C Shares, to make such arrangements and adjustments in respect of the method of calculation and payment of any of the entitlements of holders of B Shares under these Articles as the Directors consider necessary, fair and reasonable in the circumstances to give effect to the rights of the B Shares. Any such arrangements and adjustments shall not involve a variation of rights attaching to the B Shares for any purpose.

### **164. RIGHTS AND RESTRICTIONS ATTACHED TO THE C SHARES**

#### **164.1 Election Form**

164.1.1 Together with the Circular, Shareholders who held their Existing Ordinary Shares in certificated form were sent an Election Form relating to the B Shares and C Shares proposed to be created by the Company, as more fully described in the Circular. Pursuant to the Election Form or, where Shareholders held their Existing Ordinary Shares in uncertificated form, by following the instructions set out in the Circular, Shareholders could make an Election, among other things, to receive C Shares in respect of which the Special Dividend (as defined in Article 168.2.1 below) would be paid.

164.1.2 Shareholders who do not validly complete and return their Election Form or, in the case of Shareholders who hold their Existing Ordinary Shares in uncertificated form, do not send a valid TTE instruction by 11.00 a.m. on 17 August 2010 (or such later time and/or date as the Directors may determine in their absolute discretion), will be deemed to have elected for the Dividend Alternative (as defined and described in the Circular) in respect of each Existing Ordinary Share held by them.

164.1.3 The Directors, in their absolute discretion, shall determine all questions as to the form and validity (including time and place of receipt) of any Election Form or TTE instruction, which determination shall be final and binding. The Directors also reserve the absolute right to waive any defect or irregularity in relation to, or in relation to the receipt of, any Election Form or TTE instruction completed by or on behalf of any Shareholder and such determination will be binding on such Shareholder.

## **164.2 Income**

164.2.1 Out of the profits available for distribution, a special dividend of 175 pence per C Share (the “**Special Dividend**”) shall, subject to such conditions as the Directors may determine, become payable to the holders of C Shares in priority to any other classes of shares.

164.2.2 Neither the Company nor any of its Directors, officers or employees shall have any liability to any person for any loss or damage arising as a result of the choice of the date on which the Special Dividend is declared or paid.

## **164.3 Capital**

The holders of the C Shares will not be entitled to be paid any amount on a return of capital on a winding-up or otherwise (including a Court-approved reduction of capital paid up on the C Shares pursuant to the Act).

## **164.4 Voting and general meetings**

The holders of C Shares shall not be entitled, in their capacity as holders of such shares, to receive notice of any general meeting of the Company nor to attend, speak or vote at any such general meeting.

## **164.5 Class rights**

164.5.1 The Company may from time to time create, allot and issue further shares, whether ranking *pari passu* with or in priority or subsequent to the C Shares. The creation, allotment or issue of any such further shares (whether or not ranking in any respect in priority to the C Shares) shall be treated as being in accordance with the rights attaching to the C Shares and shall not involve a variation of such rights for any purpose or require the consent of the holders of the C Shares.

164.5.2 A reduction by the Company of the capital paid up or credited as paid up on the C Shares without the payment of any amount to holders of the C Shares and the cancellation of such shares shall be treated as being in accordance with the rights attaching to the C Shares and shall not involve a variation of such rights for any purpose or require the consent of the holders of the C Shares.

164.5.3 Without prejudice to the foregoing, the Company is authorised to reduce (or purchase shares in) its capital of any class or classes and such reduction (or purchase) shall not involve a variation of any rights attaching to the C Shares for any purpose or require the consent of the holders of the C Shares.

164.5.4 If at any time a currency other than sterling is accepted as legal tender in the United Kingdom in place of or in addition to sterling, the Directors shall be entitled, without the consent of holders of ordinary shares, B Shares or C Shares, to make such arrangements and adjustments in respect of the method of calculation and payment of any of the entitlements of holders of C Shares under these Articles as the Directors consider necessary, fair and reasonable in the circumstances to give effect to the rights of the C Shares. Any such arrangements and adjustments shall not involve a variation of rights attaching to the C Shares for any purpose.

## **Part 7: Taxation in relation to the Proposals**

*The comments below are intended only as a general guide to the current tax position under United Kingdom law and HM Revenue & Customs practice and are not intended to be and should not be construed as legal or taxation advice to any particular Shareholder. These comments apply to Shareholders who are resident in or (in the case of individuals) ordinarily resident in the United Kingdom for tax purposes, are the beneficial owners of their Existing Ordinary Shares and hold such shares as investments and not on trading account. The position may be different for any future disposal and may alter between the date of this document and the date of the Reduction of Capital. Shareholders who are in any doubt as to their tax position or who are subject to tax in a jurisdiction outside the United Kingdom should consult their independent professional adviser.*

### **Share Split**

For the purposes of United Kingdom taxation of chargeable gains, the receipt of the ordinary shares of 7 pence each together with either B Shares or C Shares (as the case may be) pursuant to the Share Split should not constitute a disposal or part disposal of a Shareholder's holding of Existing Ordinary Shares.

### **Capital Repayment on B Shares under the Reduction of Capital**

The Capital Repayment made to Shareholders in respect of the cancellation of each B Share should not be treated as an income distribution and therefore should not be subject to tax as income in the hands of Shareholders and accordingly will carry no tax credit.

The cancellation of the B Shares under the Reduction of Capital will be regarded as a disposal of those shares for the purposes of the taxation of chargeable gains. This may give rise to a chargeable gain or an allowable loss, depending upon the Shareholder's circumstances, including the Shareholder's base cost in the Capital Shares. It is expected that the Shareholder's original base cost in the Existing Ordinary Shares will be apportioned between his ordinary shares of 7 pence each and his B Shares, by reference to their respective market values when the B Shares are cancelled. For these purposes, it is expected that HM Revenue & Customs will calculate the market value of ordinary shares of 7 pence each by reference to the price quoted or published for the New Ordinary Shares on the first day of dealings in the New Ordinary Shares (this is expected to be the Closing Price). It is expected that the market value of each B Share on that date will be approximately 175 pence.

Any gains realised by individual Shareholders above their annual exemption (£10,100 for the tax year 2010/2011) would be subject to capital gains tax at 18 per cent. to the extent that a Shareholder's total income and gains do not exceed an individual's basic rate band (£37,400 for the tax year 2010/2011). To the extent that any gains exceed the basic rate band, an individual Shareholder would be subject to capital gains tax at 28 per cent.

Gains realised by Shareholders who are subject to corporation tax would be subject to corporation tax on chargeable gains at up to 28 per cent.

### **Payment of Special Dividend on C Shares**

The payment of the Special Dividend in respect of each C Share should be treated as an income distribution. The payment of the Special Dividend in respect of each C Share will not be treated as giving rise to a disposal of the C Share for the purposes of the taxation of chargeable gains.

An individual Shareholder who is resident in the United Kingdom for tax purposes will be entitled to a tax credit in respect of the Special Dividend, currently equal to one-ninth of the cash dividend received or 10 per cent. of the aggregate of the cash dividend received and the related tax credit (the "gross dividend"). The related tax credit can be set against the individual Shareholder's total liability to income tax on the Special Dividend.

An individual Shareholder who is liable to income tax at no more than the basic rate will be subject to income tax at the rate of 10 per cent. on the gross dividend and so the tax credit will satisfy in full the individual Shareholder's liability to income tax on the dividend received.

An individual Shareholder who is liable to income tax at the higher rate will be subject to tax at the rate of 32.5 per cent. on the gross dividend to the extent that the gross dividend, when treated as the top slice of the Shareholder's income, falls above the threshold for higher rate income tax. The related tax credit will not fully satisfy the individual Shareholder's liability to income tax on the gross dividend and the Shareholder will have to account for additional tax equal to 25 per cent. of the cash dividend received.

An individual Shareholder will be subject to tax at the rate of 42.5 per cent. on the gross dividend to the extent that the gross dividend, when treated as the top slice of the Shareholder's income, falls above £150,000. The related tax credit will not fully satisfy the individual Shareholder's liability to income tax on the gross dividend and the Shareholder will have to account for additional tax of approximately 36.1 per cent. of the cash dividend received.

United Kingdom resident Shareholders who are not liable to United Kingdom tax on the Special Dividend will not be entitled to claim repayment of the tax credit attaching to the Special Dividend.

Corporate Shareholders who are resident in the United Kingdom will generally not be subject to corporation tax on the Special Dividend insofar as it constitutes an exempt distribution as referred to in Part 9A CTA 2009. Corporate Shareholders should consult their own tax adviser to ascertain which exempt class (if any) applies to them.

#### **Cancellation of C Shares under the Reduction of Capital**

The cancellation of the C Shares under the Reduction of Capital will be regarded as a disposal of those shares for the purposes of the taxation of chargeable gains. However, it is expected that no chargeable gain should be realised by a Shareholder upon that disposal of his C Shares.

It is also expected that the New Ordinary Shares held by a Shareholder who opts entirely for C Shares will carry a base cost broadly equal to his original base cost in the Existing Ordinary Shares, as none of the base cost of a Shareholder's Existing Ordinary Shares should be attributable to his C Shares.

#### **Chapter 1, Part 13 Income Tax Act 2007 ("ITA 2007")**

If Chapter 1, Part 13 ITA 2007 applied in respect of Capital Repayment on B Shares, Shareholders who are United Kingdom resident income taxpayers might be liable to taxation as if they had received a dividend equal to the amount received. The Company has not applied for a clearance under section 701 ITA 2007 in this regard. However, having consulted with leading tax counsel, the Company does not expect that Chapter 1, Part 13 ITA 2007 should apply to Shareholders who elect for B Shares as the conditions in section 685 ITA 2007 should not apply. If, however, Chapter 1, Part 13 ITA 2007 were to apply, UK resident income taxpayers who elect for B Shares are likely to be liable to taxation as if they had received a dividend equal to the Capital Repayment.

#### **Share Capital Consolidation**

For the purposes of the United Kingdom taxation of chargeable gains, the receipt of the New Ordinary Shares will not constitute a disposal or part disposal of a Shareholder's holding of ordinary shares of 7 pence each. Therefore, in respect of a Shareholder who receives B Shares, his base cost in the New Ordinary Shares will be taken as the base cost previously attributable to his holding of ordinary shares of 7 pence each (which will be determined as outlined in the section headed "Capital Repayment on B Shares under the Reduction of Capital" above). As stated above, it is expected that the New Ordinary Shares held by holders of C Shares who opt entirely for C Shares will carry a base cost broadly equal to the Shareholder's original base cost in the Existing Ordinary Shares.

### **Stamp duty and stamp duty reserve tax**

Except in relation to depositary receipt arrangements or clearance services, where special rules apply:

- (a) no stamp duty reserve tax (“SDRT”) will be payable on the creation of the ordinary shares of 7 pence each and B Shares or C Shares pursuant to the Share Split or on the creation of the New Ordinary Shares pursuant to the Share Capital Consolidation; and
- (b) an unconditional agreement to sell B Shares or C Shares or to sell New Ordinary Shares will normally give rise to a liability on the purchaser to SDRT, at a rate of 0.5 per cent. of the actual consideration paid. The conveyance or transfer on sale of B Shares or C Shares or the relevant New Ordinary Shares outside the CREST system will generally be subject to stamp duty on the system of transfer at the same rate of 0.5 per cent. of the actual consideration paid (rounded up to the nearest £5). If the relevant instrument of transfer is executed and duly stamped within six years of the date of the agreement, the SDRT charge will be cancelled and any SDRT already paid will be refunded. The cancellation of the B Shares and the C Shares pursuant to the Reduction of Capital should not give rise to any liability to stamp duty or SDRT.

Under the CREST system for paperless share transfers, deposits of shares into CREST will generally not be subject to stamp duty or SDRT unless such a transfer is made for a consideration in money or money’s worth, in which case a liability to SDRT will arise usually at the rate of 0.5 per cent. of the amount of value of the consideration. Paperless transfers of shares within CREST are generally liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount of value of the consideration. CREST is obliged to collect SDRT from the purchaser of the shares on relevant transactions settled within the system.

## Part 8: Definitions

The following definitions apply throughout this document and the accompanying documents including the Form of Proxy and the Election Form, unless the context otherwise requires:

“Act”	the Companies Act 2006, as amended
“Admission”	admission of the New Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules
“Admission Date”	19 August 2010 (or such later date as the Directors may determine)
“AIM”	a market operated by the London Stock Exchange
“AIM Rules”	the AIM rules for companies issued by the London Stock Exchange, as amended from time to time
“Alternatives”	the Dividend Alternative and the Capital Alternative, or either of them as the context may require
“Articles” or “Articles of Association”	the articles of association of the Company from time to time
“B Shares”	the preference shares of 8 pence each in the capital of the Company carrying the rights and restrictions summarised in Part 6 of this document
“BACS”	the Bankers Automated Clearing System
“Board” or “Directors”	the board of directors of the Company or a duly appointed committee of the board
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which sterling deposits may be dealt in on the London inter-bank market and commercial banks are open for general business in London
“C Shares”	the non-cumulative preference shares of 8 pence each in the capital of the Company carrying the rights and restrictions summarised in Part 6 of this document
“Capital Alternative”	the election for B Shares to be cancelled pursuant to the Reduction of Capital and conferring a right to the Capital Repayment as more fully described in Parts 1 and 5 of this document
“Capital Reorganisation”	the reorganisation of the Company’s share capital comprising the Share Split and the Share Capital Consolidation
“Capital Repayment”	the proposed repayment of 175 pence per B Share
“Closing Price”	the closing middle market quotations as derived from the AIM Appendix of the Daily Official List on a particular day
“Company” or “Rugby Estates Plc”	Rugby Estates Plc, incorporated in England and Wales with company number 2548935
“Court”	the High Court of Justice in England and Wales

“Court Order”	the order of the Court confirming the Reduction of Capital
“CREST”	the relevant system (as defined in the Uncertificated Securities Regulations 2001) in respect of which Euroclear is the Operator (as defined in such regulations)
“CREST Proxy Instruction”	a properly authenticated CREST message appointing and instructing a proxy to attend and vote in place of a Shareholder at the General Meeting and containing the information required to be contained in the manual published by Euroclear
“CTA 2009”	the Corporation Tax Act 2009
“Daily Official List”	the daily record setting out the prices of all trades in shares and other securities conducted on the London Stock Exchange
“Directors”	the directors of the Company from time to time
“Dividend Alternative”	the election (or deemed election) for C Shares to be cancelled pursuant to the Reduction of Capital and conferring a right to the Special Dividend as more fully described in Parts 1 and 5 of this document
“Election Deadline”	11.00 a.m. on 17 August 2010 (or such later time and/or date as the Directors in their absolute discretion may determine)
“Election Form”	the election form enclosed with this document, where this document is sent to Shareholders who hold their Existing Ordinary Shares in certificated form
“Election Period”	the period from the date of this document until the Election Deadline during which time Shareholders may make elections for one or more of the Alternatives
“Equiniti”	the Company’s registrars, Equiniti Financial Services Limited and Equiniti Limited (together or separately “Equiniti”) of Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA
“ESA Message”	a message through CREST to Equiniti in its capacity as escrow agent requesting a withdrawal of Existing Ordinary Shares from the escrow balance
“Euroclear”	Euroclear UK & Ireland Limited, the operator of CREST (formerly known as CRESTCo Limited)
“Existing Ordinary Shares”	the existing ordinary shares of 15 pence each in the capital of the Company or, as the case may be, issued ordinary shares of 7 pence each resulting from the Share Split
“Form of Proxy”	the form of proxy enclosed with this document for use by Shareholders in connection with the General Meeting
“FSA”	Financial Services Authority
“FSMA”	Financial Services and Markets Act 2000, as amended
“General Meeting”	the General Meeting of the Company (or any adjournment thereof) to be held at 4 Farm Street, Mayfair, London W1J 5RD at 10.00 a.m. on 30 July 2010

“Group”	the Company and its subsidiaries from time to time
“HM Revenue & Customs”	Her Majesty’s Revenue & Customs
“ITA 2007”	the Income Tax Act 2007
“London Stock Exchange”	London Stock Exchange plc
“Long-Stop Date”	the close of business on 19 August 2010, or such later time and/or date as the Directors in their absolute discretion may determine
“New Ordinary Shares”	following the Capital Reorganisation, the new ordinary shares of 15 pence each in the capital of the Company
“Non-United Kingdom Shareholder”	a Shareholder who is not resident in the United Kingdom or who is a citizen, resident or national of a country other than the United Kingdom. For the avoidance of doubt, a Shareholder who is not resident in the United Kingdom includes a Shareholder who is resident in the Channel Islands or the Isle of Man
“Proposals”	the Share Split, the Reduction of Capital, the Capital Repayment, the Special Dividend and the Share Capital Consolidation
“Record Time”	5.00 p.m on 17 August 2010 (or such later time and/or date as the Directors in their absolute discretion may determine)
“Reduction of Capital”	the proposed cancellation of the B Shares and reduction of the share premium account of the Company and the proposed cancellation of the C Shares, as described in this document
“Regulatory Information Service”	a Regulatory Information Service on the list of Regulatory Information Services maintained by the FSA
“Resolutions”	the resolutions set out in the notice of the General Meeting contained in Part 9 of this document to (i) implement the Proposals and (ii) in order to take account of the Reduction of Capital and the Share Capital Consolidation comprised in the Proposals, to renew the Company’s authority to make market purchases of shares and to renew the Directors’ authority to allot shares pursuant to section 551 of the Act and to disapply section 561 of the Act
“Share Capital Consolidation”	the consolidation and division of the Existing Ordinary Shares in the manner set out in Resolution 1
“Share Entitlement”	the entitlement of each Shareholder to be allotted one B Share or one C Share for each Existing Ordinary Share held at the Record Time
“Shareholders”	holders of Existing Ordinary Shares, New Ordinary Shares, B Shares or C Shares, as the context may require
“Share Split”	the proposed sub-division and redesignation of each Existing Ordinary Share in issue at the Share Split Record Date into one ordinary share of 7 pence and either (at the discretion of Shareholders) one B Share or one C Share

“Share Split Record Date”	5.00 p.m. on 17 August 2010 (or such other time and/or date as the Directors in their absolute discretion may determine)
“Special Dividend”	a special dividend of 175 pence per C Share to be declared and paid in accordance with the Dividend Alternative
“TTE Instruction”	transfer to escrow instruction
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“United States” or “US”	the United States of America, its territories, possessions, any State of the United States of America and the District of Columbia
“US Securities Act”	the United States Securities Act of 1933 (as amended) and the rules and regulations promulgated thereunder

## Part 9: Notice of General Meeting

# Rugby Estates Plc

(the "Company")

*(incorporated in England and Wales with company number 2548935)*

Notice is hereby given that a general meeting of Rugby Estates Plc will be held at 4 Farm Street, Mayfair, London W1J 5RD on 30 July 2010 at 10.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed, in the case of resolutions 1, 2 and 4 as special resolutions and, in the case of resolution 3, as an ordinary resolution:

### Special Resolutions

#### 1. THAT:

- (a) with effect from 5.00 p.m. on 17 August 2010 (or such later time and/or date as the Directors may in their absolute discretion determine), each of the ordinary shares of 15 pence each in the capital of the Company then in issue be sub-divided into one ordinary share of 7 pence and:
  - (i) as regards any issued ordinary share of 15 pence in respect of which the holder thereof has validly elected to receive a B Share by notifying the Company's Registrars in writing in a form approved by the Directors (or any authorised committee of the Directors) on or before 11.00 a.m. on 17 August 2010 (or such later time and/or date as the Directors may in their absolute discretion determine), one preference share of 8 pence which shall be designated a B Share, having the rights and restrictions set out in the Interim Articles of Association of the Company as proposed to be adopted pursuant to paragraph (h) of this Resolution; or
  - (ii) as regards any issued ordinary share of 15 pence in respect of which the holder thereof has validly elected to receive a C Share by notifying the Company's Registrars in writing in a form approved by the Directors (or any authorised committee of the Directors) on or before 11.00 a.m. on 17 August 2010 (or such later time and/or date as the Directors may in their absolute discretion determine) or any other issued ordinary share of 15 pence in respect of which no such election as is referred to in sub-paragraph (i) of paragraph (a) of this Resolution has been made by the holder thereof, one non-cumulative preference share of 8 pence which shall be designated a C Share, having the rights and restrictions set out in the Interim Articles of Association of the Company as proposed to be adopted pursuant to paragraph (h) of this Resolution.
- (b) a dividend of 175 pence per C Share shall, subject to the Company having sufficient distributable reserves and the Reduction of Capital referred to in paragraph (c) of this Resolution becoming effective by the close of business on 19 August 2010 (or such later time and/or date as the Directors may in their absolute discretion determine), be payable to those persons who become holders of C Shares and whose names appear on the register of members of the Company at 5.00 p.m. on 17 August 2010 (or such later time and/or date as the Directors may in their absolute discretion determine);
- (c) following the sub-division and redesignation of the ordinary shares of 15 pence each referred to in paragraph (a) of this Resolution taking effect, the capital and reserves of the Company shall be reduced by:
  - (i) cancelling and extinguishing all of the B Shares and reducing the share premium account of the Company by such amount as shall result in a reserve which, when aggregated with the reserve arising from the cancellation of the B Shares, will enable the Company to return to the holders of the B Shares whose names appear on the register of members of the Company at 5.00 p.m. on 17 August 2010 (or such later time and/or date as the Directors may in their absolute discretion determine) an amount of 175 pence per B Share (the payment of which is hereby approved); and
  - (ii) cancelling and extinguishing all of the C Shares and reducing the share premium account by such amount (if any) as shall result in a reserve which, when aggregated with

the Company's existing distributable reserves and the reserve arising on cancellation of the C Shares, will enable the Company to pay the dividend of 175 pence per C Share referred to in paragraph (b) of this Resolution; and

- (iii) reducing the share premium account of the Company by such further sum (if any) as will, when aggregated with the Company's existing distributable reserves (to the extent not required to enable the Company to pay the dividend of 175 pence per C Share referred to in paragraph (b) of this Resolution), ensure that the Company has distributable reserves (before taking account of any profits or losses arising since 31 January 2010) of not less than £2 million following the reduction of capital referred to in this paragraph (c) becoming effective in accordance with the section 649 (3) the Companies Act 2006 (the "Act") and the dividend referred to in paragraph (b) of this Resolution having been paid,  
(together referred to as the "**Reduction of Capital**");
- (d) conditional on the Reduction of Capital becoming effective in accordance with section 649(3) of the Act, in respect of each holding of ordinary shares of 7 pence each as shown in the Register of Members of the Company immediately before the Reduction of Capital becomes effective, each ordinary share of 7 pence in the capital of the Company be sub-divided into 7 shares of one penny each and immediately upon such sub-division every 15 shares of one penny each resulting from such sub-division shall be consolidated into one share of 15 pence in the capital of the Company (a "**New Ordinary Share**") provided that fractions of a share of 15 pence arising out of such sub-division and consolidation shall be consolidated into as many New Ordinary Shares as possible and (if and to the extent that such fractions do not consolidate into a whole number of New Ordinary Shares) one deferred share (having the rights and restrictions set out in the Interim Articles of Association of the Company proposed to be adopted pursuant to paragraph (h) of this Resolution) of such nominal value as shall be necessary to ensure that the aggregate nominal value of the then issued share capital of the Company remains constant;
- (e) the Directors of the Company be authorised to do all such things as they consider necessary or expedient:
  - (i) to sell the number of New Ordinary Shares arising from the consolidation of fractional entitlements referred to in paragraph (d) of this Resolution in the market for the benefit of the Company; and
  - (ii) to transfer the deferred share (if any) arising out of the sub-division and consolidation of the shares referred to in paragraph (d) of this Resolution to Fairfax I.S. PLC;
- (f) the Company be irrevocably authorised (such authority to expire on 29 January 2012) so far as it is lawfully able to purchase the deferred share arising under paragraph (d) of this Resolution in consideration of the payment to Fairfax I.S. PLC of one penny pursuant to a contract for the sale to the Company of the deferred share, a copy of which has been produced to the meeting and initialled for the purpose of identification by the Chairman (the terms of which are hereby approved), and the deferred share so purchased shall be cancelled, and the share capital shall, with effect from such cancellation, be reduced by an amount equal to the nominal value of the deferred share so cancelled;
- (g) with effect from 5.00 p.m. on 17 August 2010 (or such later time and/or date as the Directors may in their absolute discretion determine), the articles of association set out in the printed document produced to the meeting marked "A" and initialled for the purpose of identification by the Chairman (the "**Interim Articles of Association**") be adopted as the articles of association of the Company in substitution for and to the exclusion of the articles of association existing as at the time of this Resolution and, following the sub-division and consolidation referred to in paragraph (d) of this Resolution, the articles of association set out in the printed document produced to the meeting marked "B" and initialled for the purpose of identification by the Chairman (the "**New Articles of Association**") be adopted as the articles of association of the Company in substitution for and to the exclusion of the Interim Articles of Association;
- (h) the rights and restrictions attaching to the New Ordinary Shares resulting from the subdivisions and consolidations pursuant to paragraph (d) of this Resolution shall be the

same in all respects as those attached to the ordinary shares as set out in the articles of association of the Company existing as at the time of this Resolution; and

- (i) if the Reduction of Capital does not become effective by the close of business on 19 August 2010 (or such later time and/or date as the Directors in their absolute discretion may determine) each B Share and each C Share shall be converted into an ordinary share of 8 pence and each such ordinary share of 8 pence and each issued ordinary share of 7 pence resulting from the sub-division referred to in paragraph (a) of this Resolution shall be consolidated into one ordinary share of 15 pence having attached thereto the same rights and restrictions in all respects as those attached to the ordinary shares as set out in the articles of association of the Company existing as at the time of this Resolution and the Company's articles of association existing as at the time of this Resolution shall be re-adopted as the articles of association of the Company in substitution for and to the exclusion of the Interim Articles of Association.
2. THAT, conditional on Resolution 1 being passed and becoming effective and the Reduction of Capital referred to in Resolution 1 becoming effective and in substitution for all existing authorities, the Company be and is hereby generally and unconditionally authorised, in accordance with section 701 of the Act, to make market purchases (within the meaning of section 693(4) of the Act) of New Ordinary Shares on such terms and in such manner as the Directors may from time to time determine provided that:
- (a) the maximum aggregate number of New Ordinary Shares authorised to be purchased is 803,150 (representing approximately 14.99 per cent. of the Company's issued share capital);
  - (b) the minimum price which may be paid for a New Ordinary Share is 15 pence (exclusive of expenses payable by the Company);
  - (c) the maximum price which may be paid for a New Ordinary Share (exclusive of expenses payable by the Company) cannot be more than the higher of:
    - (i) 105 per cent. of the average market value of a New Ordinary Share for the five business days prior to the day on which the New Ordinary Share is contracted to be purchased; and
    - (ii) the value of a New Ordinary Share calculated on the basis of the higher of:
      - (A) the last independent trade of; or
      - (B) the highest current independent bid for,any number of New Ordinary Shares on the trading venue where the market purchase by the Company will be carried out; and
  - (d) the authority conferred shall expire at the conclusion of the annual general meeting of the Company to be held in 2011 except that the Company may before such expiry make a contract to purchase its own shares which will or may be completed or executed wholly or partly after such expiry.

### **Ordinary Resolution**

3. THAT, conditional on Resolution 1 above being passed and the Reduction of Capital referred to in Resolution 1 becoming effective and in substitution for all existing authorities, the Directors be and are hereby generally and unconditionally authorised pursuant to and in accordance with section 551 of the Act:
- (a) to exercise all the powers of the Company to allot shares and to make offers or agreements to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company (together "Relevant Securities") up to an aggregate nominal amount of £267,716.70; and
  - (b) to exercise all the powers of the Company to allot equity securities (within the meaning of section 560 of the Act) up to an additional aggregate nominal amount of £267,716.70, provided that this authority may only be used in connection with a rights issue in favour of holders of ordinary shares and other persons entitled to participate therein where the equity securities respectively attributable to the interests of all those persons at such record dates as

the Directors may determine are proportionate (as nearly as may be) to the respective numbers of equity securities held (or deemed to be held) by them or are otherwise allotted in accordance with the rights attaching to such equity securities subject to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal difficulties under the laws of any territory or the requirements of a regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatsoever,

provided that the authorities in 3(a) and (b) shall expire at the conclusion of the annual general meeting of the Company to be held in 2011, except that the Company may before such expiry make an offer or agreement which would or might require Relevant Securities or equity securities (as the case may be) to be allotted after such expiry and the Directors may allot Relevant Securities or equity securities in pursuance of such offer or agreement as if the authority in question had not expired.

#### **Special Resolution**

4. THAT, conditional on the passing of Resolution 3 above and the same becoming effective and in substitution for all such existing authorities, the Directors be and are hereby empowered, in accordance with section 570 of the Act, to allot equity securities (as defined in section 560(1) of the Act) for cash pursuant to the authority conferred by Resolution 3 or by way of a sale of treasury shares as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
- (a) the allotment of equity securities in connection with a rights issue or other pro-rata offer (but, in the case of the authority granted under paragraph (b) of Resolution 3, by way of a rights issue only) in favour of holders of ordinary shares and other persons entitled to participate therein where the equity securities respectively attributable to the interests of all those persons at such record dates as the Directors may determine are proportionate (as nearly as may be) to the respective numbers of equity securities held or deemed to be held by them or are otherwise allotted in accordance with the rights attaching to such equity securities subject in each case to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal difficulties under the laws of any territory or the requirements of a regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatsoever; and
  - (b) the allotment (otherwise than pursuant to paragraph (a) above) of equity securities up to an aggregate nominal amount of £80,314.95,

and shall expire at the conclusion of the annual general meeting of the Company to be held in 2011, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted and/or shares held by the Company in treasury to be sold or transferred after such expiry and the Directors may allot equity securities and/or sell or transfer shares held by the Company in treasury in pursuance of such offer or agreement as if the power conferred by this Resolution had not expired.

By Order of the Board

Stephen Jones  
*Company Secretary*

15 July 2010

*Registered Office:*  
4 Farm Street  
Mayfair  
London W1J 5RD

*Notes:*

1. A member entitled to attend and vote at the meeting is entitled to appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend, speak and vote at the meeting. A member can appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by the member.
2. Your proxy could be the Chairman, another Director of the Company or another person who has agreed to attend to represent you. Your proxy will vote as you instruct and must attend the meeting for your vote to be counted. Details of how to appoint the Chairman or another person as your proxy using the proxy form are set out in the notes to the proxy form. Appointing a proxy does not preclude you from attending the meeting and voting in person. If you attend the meeting in person, your proxy appointment will automatically be terminated.
3. An appointment of proxy is provided with this notice and instructions for use are shown on the form. In order to be valid, a completed appointment of proxy must be returned to the Company by one of the following methods:
  - 3.1 in hard copy form by post, by courier or by hand to the Company's Registrar at the address shown on the form of proxy; or
  - 3.2 in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below,and in each case must be received by the Company by 10.00 a.m. on 28 July 2010.

Please note that any electronic communication sent to us/our registrars in respect of the appointment of a proxy that is found to contain a computer virus will not be accepted.
4. To change your proxy instructions you may return a new proxy appointment using the methods set out above. Where you have appointed a proxy using the hard copy proxy form and would like to change the instructions using another hard copy proxy form, please contact Equiniti Limited at Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZL. The deadline for receipt of proxy appointments (see above) also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same meeting, the one which is last sent shall be treated as replacing and revoking the other or others.
5. CREST
  - 5.1 CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual, which can be viewed at [www.euroclear.com/CREST](http://www.euroclear.com/CREST). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
  - 5.2 In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
  - 5.3 The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
  - 5.4 CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
6. Only those shareholders registered in the Register of Members of the Company as at 6.00 p.m. on 28 July 2010 (or, if the meeting is adjourned, 6.00 p.m. on the date which is two days before the time of the adjourned meeting) shall be entitled to attend and vote at the meeting or adjourned meeting in respect of the number of shares registered in their respective names at that time. Changes to the Register of Members after that time will be disregarded in determining the rights of any person to attend or vote at the meeting or adjourned meeting.
7. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
8. As at 14 July 2010 (being the last business day before the publication of this notice), the Company's issued share capital consisted of 11,473,573 ordinary shares of 15 pence each, carrying one vote each. The Company does not hold any ordinary shares in treasury. The total voting rights in the Company which members are entitled to exercise at the general meeting are 11,473,573.

9. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if:
  - 9.1 to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
  - 9.2 the answer has already been given on a website in the form of an answer to a question; or
  - 9.3 it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
10. A copy of this notice can be found at <http://www.rugbystates.plc.uk>.
11. Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of Nabarro LLP at Lacon House, 84 Theobald's Road, London WC1X 8RW and at the registered office of the Company from the date of this document up to and until the conclusion of the general meeting and will also be available for inspection for at least 15 minutes before and during the general meeting:
  - (a) the current articles of association;
  - (b) the Interim Articles of Association as proposed to be adopted together with a copy marked to show the differences between the existing articles of association and those proposed to be adopted pursuant to Resolution 1;
  - (c) the New Articles of Association as proposed to be adopted together with a copy marked to show the differences between the Interim Articles of Association and those proposed to be adopted pursuant to Resolution 1;
  - (d) the contract for the sale of the deferred share referred to in paragraph (f) of Resolution 1; and
  - (e) the circular.

